

NON - CONFIDENTIAL



**RESPONSE TO OFCOM'S
CONSULTATION ON END-OF-
CONTRACT AND OUT-OF-
CONTRACT NOTIFICATIONS**

9 October 2018

Executive Summary

1. Post Office support Ofcom's focus on driving consumer engagement in the telecoms market. It is important that consumers are able to take advantage of the wide choice of communication services available and shop around with confidence, so that they can get the best deals for their needs. The introduction of an End of Contract Notification (ECN) and an Out of Contract Notification (OCN) will support Ofcom's initiative and help prompt consumers to engage, whether that means taking up a new deal with their current provider, switching to a new supplier or even keeping their current deal. In doing so, Post Office believes that Ofcom should set out its expectations of what it is aiming to achieve in order to measure the effectiveness of this initiative. It is important that these measures focus on engagement and market awareness, rather than switching. Many customers are engaged with the market but because they are happy with the service they are receiving actively choose not to switch.
2. Introducing ECNs and OCNs is costly and although Ofcom has considered these costs in its assessment, it does not appear to have considered the cost differential between letters and emails. Communication Providers (CPs) with a higher proportion of paper billed customers will incur higher costs and be unfairly penalised. Given that the two different mediums have very different styles, for example an email can include a link to an offer, Post Office ask that Ofcom view these two communication methods differently and take the different costs into consideration.
3. We encourage Ofcom to address the different types of markets and in particular consider the effectiveness of its approach in the Home Phone-only market. This market does not have the same access to information so consumers' awareness and ability to compare deals is limited. This market also tends to be skewed towards the elderly and vulnerable¹ who have different needs. We believe it is important that Ofcom takes these aspects into consideration when designing a solution rather than a one size fits all approach across every market.

¹ Over 40% of voice-only consumers are over 75 according to Ofcom's research.
https://www.ofcom.org.uk/__data/assets/pdf_file/0015/107322/standalone-landline-statement.pdf

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1. Overview of Post Office

4. The Post Office is the UK's largest retail network and the largest financial services chain in the UK with more branches than all of the UK's banks and building societies put together. Also, we are growing our direct channels, such as contact centres and online, giving access to more customers, in more ways. There are over 11,500 Post Office branches nationwide covering over 17 million customer visits per week and dealing with 47 million transactions per week. The role of the Post Office in the community is unique in the UK.
5. The Post Office believes in being a commercial business driven by social matters. We offer more than 170 products and services under four product pillars: Mails & Retail; Financial Services; Government Services; and Telecoms. The telecoms service offers customers, either a standalone voice contract or a Dual contract which contains both Broadband and Home Phone². [X].
6. Looking at the UK population, 99.7% of people live within three miles of their nearest Post Office branch. For many rural communities the Post Office is their only retail outlet. Post Office aspires to be at the very heart of customers' choice by being the most trusted provider of essential services to every person in the UK.

2. Implications of Ofcom's proposal

7. We support Ofcom's drive to increase consumer engagement so that people take advantage of the wide choice of communication services available and shop around with confidence. However, we believe certain aspects that require further consideration before they are implemented.

2.1. Home Phone Only Customers

8. **Ofcom's research does not include much detail on this critical consumer market**
9. We note that Ofcom's Qualitative research by Jigsaw and Critical Research covered four markets, Dual Play (landline and broadband), Triple Play (landline, broadband and Pay TV), Mobile and Standalone Pay TV³ but importantly did not review the Home Phone only market. Given that this market accounts for 2.6 million people⁴ and that a high proportion of these customers are elderly or vulnerable⁵ we believe that it is important that Ofcom research this segment in as much as detail as Dual and Triple Play. Ofcom should not assume that the Home Phone only market behaves in the same way as the others. We believe that because this market has unique characteristics, Ofcom should adopt a different approach.

² [X]

³ <https://www.ofcom.org.uk/research-and-data/multi-sector-research/general-communications/consumer-engagement-with-communication-services>

⁴ https://www.ofcom.org.uk/__data/assets/pdf_file/0015/107322/standalone-landline-statement.pdf

⁵ Over 40% of voice-only consumers are over 75 according to Ofcom's research.

https://www.ofcom.org.uk/__data/assets/pdf_file/0015/107322/standalone-landline-statement.pdf

10. We believe Ofcom should take account of the fact that their data shows the average in contract spend for Home Phone only customer is higher than when they are out of contract

11. One of the noticeable characteristics of the Home Phone only market is that the majority of customers will have the same out of contract price as they do for their in contract price. Ofcom has recognised that in the Home Phone only market “average spend for in-contract customers is higher than the average spend of customers who are out-of- contract”⁶. Further, Ofcom also says that “given the recent changes to prices in this market we do not consider it relevant to our analysis”. We strongly disagree with Ofcom’s position: It is relevant and clearly demonstrates the need for a different approach to ECNs. For example, Post Office’s home phone only in contract price is the same when out of contract, which would make Ofcom’s proposed ECN format redundant.

12. Ofcom should address the lack of awareness of consumers in this market of alternate suppliers.

13. Ofcom note in their research that there are substantial barriers to engagement in this market due to lack of awareness of competitors and perceived low gains from switching⁷. Ofcom’s Switching Tracker 2017 found that three in five (60%) standalone landline customers agreed that “it is too hard to work out if I would save or not if I switched provider”⁸. Ofcom note that “By not being informed of what their options are and the possibility of savings, there is a risk that consumers will make an assumption that their existing deal is the best available, without exploring other available options. This, in turn, would undermine the effectiveness of end-of-contract notifications in addressing the higher prices paid by some out-of-contract consumers.” Given the evidence that Home Phone only customers lack information, an ECN and OCN for Home Phone only customers should adopt a different format which focusses on driving awareness of alternate options in this market. This would go some way in tackling the 77% of voice only customers have never switched providers or considered doing so⁹.

14. We understand that Ofcom has trialled reminder letters from Ofcom rather than a CP however the outcome of this trial has not been published. In markets where customers lack information, this approach may appear more relevant so we believe it is important that this research is shared with CPs. As Ofcom’s proposal stands now, we believe there will be little or no change in engagement in this market segment and instead it will just increase costs which effectively flow down to the consumer.

⁶ Page 28

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/613525/ofcom-review-of-the-market-for-standalone-landline-services.pdf

⁸ Ofcom Switching Tracker 2017. The equivalent figure was 53% of standalone broadband customers. Standalone landline customers were significantly more likely than average (53%) to agree with this statement.

https://www.ofcom.org.uk/__data/assets/pdf_file/0024/107178/Switching-Tracker-2017-Data-tables.pdf

⁹ https://www.ofcom.org.uk/__data/assets/pdf_file/0015/107322/standalone-landline-statement.pdf

2.2. Cost implications

15. CPs who have a higher percentage of customers on paper bills are being penalised as they will have higher costs than those who send emails.

16. Ofcom have said that they want to ensure that the solutions are practical to implement and go no further than is necessary. Post Office support this approach and would urge Ofcom to consider emails and letters separately, rather than email/letter vs SMS which is what the current research focuses on. Given the strict size of a letter and the ability of an email to include links to webpages and that it is viewed on a screen, we believe that the two contact methods should be treated separately. This is even more important when the costs of a letter, which are far greater than an email, are taken into consideration. Also, the proportion of paper billed customers varies significantly across the industry depending on the target market. Each time Post Office send a letter to a customer we incur a cost of [X] whereas an email costs [Y].

17. In particular, to address the disparity of costs between letters and emails, Ofcom should permit the inclusion of a reminder within a bill. [X]. Ofcom's own 2015 end of contract notification research shows that over 55s were happy to receive the notification along with their paper bill¹⁰ so we believe this is something that Ofcom should allow. Otherwise Post Office would, in effect, be penalised for having a high proportion of paper billed customers, which is a customer choice.

18. Longer implementation timescales are needed to assist with managing an increase in calls

19. Post Office supports Ofcom's decision to send a one-off OCN so customers are not burdened with multiple communications, when many are happy with the service they receive and do not want to change. We appreciate that Ofcom has allowed for the staggered release of notifications to help with cost management, however, we need an extension of the implementation timescales. In particular, the release of an OCN is expected to drive calls into our contact centre. This would have a large impact on contact centre resources, which would be more cost effectively managed if we could spread OCNs out across the year to absorb these calls. In order to do this we propose an implementation period of 12 months rather than 9 as proposed by Ofcom.

2.3. Measuring success

20. We understand that this consultation forms part on Ofcom's ongoing work to increase consumer engagement. However, it is unclear what Ofcom is looking to achieve. We are concerned that Ofcom will continue to introduce measures that place an ever-increasing cost burden on the industry, which will inevitably impact customer bills. . We believe Ofcom should clearly outline what it hopes to achieve with the introduction of notifications so that it can be assessed as to whether this intervention was successful. Furthermore, we would want to understand how this fits into Ofcom's consumer engagement programme and what the next steps are. In particular, Ofcom has said OCNs only need to be sent once or will providers need to factor in repeat costs. As these changes will require significant system developments we would appreciate clarity in any future additions.

¹⁰ https://www.ofcom.org.uk/__data/assets/pdf_file/0024/74715/end-of-contract-notification-research.pdf

21. As outlined in our response above Post Office believe that the success of any notification in the Home Phone only market should be measured by awareness in the market. In relation to the broadband market, awareness is also a sensible metric to measure. Many customers stay with their provider because they are happy with their service although they know they can get a cheaper contract elsewhere. Improving customer awareness of their contract status should be the primary motive rather than a focus on switching.

2.4.Data Protection

22. We urge Ofcom to ensure that any new regulation aligns with the data protection regulations. In particular, Ofcom have said that the inclusion of an offer is permitted however with the new GDPR regulations there are very stringent rules about marketing to customers that has to be taken into account.