Your response

Summary

Dixons Carphone is pleased to share our views and insight on the proposed end-of-contract notification regulations. In previous consultations we have sought highlight our support for regulation that encourages customers to fully re-engage in the market at the end of their contract, with a view to thoroughly reviewing their needs in the context of both their current package and the latest products and services available in the market. We strongly believe that comparing the suitability and price of the available products and services in the market across multiple providers is the best way for customers to find the right solution for their needs, to promote competition and innovation through doing so, and to ensure the solution they select gives them the most out of technology and connectivity at the best price. We strongly believe that achieving this customer behaviour is the primary success factor by which this regulation should be shaped and subsequently evaluated.

We do acknowledge that there are some specific individual drivers of customer harm, for example, end-of-contract broadband price increases and customers continuing to pay full pay-monthly (PAYM) handset rates beyond their minimum term, despite their handset effectively being paid off. We are also keen to see these issues addressed, but strongly believe this can be achieved by focussing on the underlying strategic objective of driving customer engagement in the market (not just with their current provider) and the customer behaviour outlined above.

In this consultation response we seek to highlight: the complexity in objectively articulating the options available to customers at the end of their contract; the difficulty in determining the best solution for this customer without their input in a two-way conversation; the importance, therefore, of how certain messages are positioned to avoid customers being misled, misinformed or misadvised; how providers' short-term economic motivations are in a potential conflict of interest with the underlying strategic objectives of this regulation (as we understand them); and, therefore, why we think a more prescriptive approach is necessary (in full, or at the very least in parts) to effectively achieve the underlying objectives intended.

We are fully supportive of the principle of customers making fully-informed choices at the end of their minimum term and welcome Ofcom's proposals to increase transparency and fairness – specifically around providing customers information on their current service enabling them to make fact-based comparisons with alternatives in the market. We are also strongly in favour of promoting greater awareness of the prices available to other customers to ensure the vulnerable and less-engaged customers aren't disproportionately penalised, if indeed at all.

We think it is important for customers make decisions at the end of their contract in a fair and unbiased way. To this end, we remain concerned that, providers can entice customers to recommit before the customer has an opportunity to return to the market to compare alternative products on an equal basis, and we are concerned that by enticing customers to recommit early (e.g. 60 days before the end of their contract) the customer may never be eligible for, trigger or receive an end of contract notification. Should providers use 'early upgrades' as part of the best-offer recommendation, we believe this regulation could have an adverse effect to the strategic objectives intended i.e. instead of more customers more fully engaging in the market and getting the best offer for their latest needs, fewer customers will actively engage in the wider market and only achieve a partial saving on their out of contract bill. We are strongly in favour of customers being able to compare all products and services in the market based on quality, fit, and price on an equal, unbiased and unprejudiced basis. One possible solution might be to ensure that any proactive attempt to recommit the customer early

(and before they receive an end-of-contract notification) also triggers an end-of-contract notification, advises the customer to also research the wider market and allows the customer to switch to an alternative product without penalty i.e. waiving early termination charges. This would limit practices that dissuade the customer from properly reengaging in the full market, and enables them to do so un an unbiased, unprejudiced way.

Lastly, we are keen to highlight that not all customers purchase their connectivity solutions direct from providers. Many customers chose to trust, seek advice, purchase and build a relationship with independent 3rd parties. We are keen to ensure that providers retain the option of sending end-of-contract-notifications via third-party distributors i.e. providers remain accountable for ensuring customers receive the mandated notifications, but nothing in the regulations should prohibit 3rd party distributors sending these notifications on behalf of the provider. Incidentally, this approach would be beneficial to the customer as often the "best offer" through an independent retailer would be considerably better than the best offer in network direct distribution channels. If the customer bought their current offer through a third-party retailer, the best offer in network direct channels may be more expensive that the deal they currently have (prompting them to do nothing) when in fact a cheaper deal is available through the third-party retailer. Such customers just receiving network direct distribution best offers may not benefit from the regulation as it stands.

Question 1: Do you agree with the way we propose to implement the requirement to provide end of contract notifications in terms of the services they should cover?

In our understanding, the key debate on the scope of this regulation is whether the regulation should cover content services. Dixons Carphone agrees that the regulations should cover content services offered in conjunction or alongside fixed-line services, and there is even a strong case for including standalone over-the-top content services.

Ofcom have highlighted an area of customer harm whereby customers are attracted to subscriptions with deep promotional offers that expire after the minimum term (or sooner) without explicit warning or reminders – this can lead to customers both paying more than expected and more than equivalent products and services in the market available to new customers. These time-limited promotional offers are equally used in content propositions (with a similar risk that customers fail to notice increases in price and stay on packages no longer competitive with alternatives in the market.) For example, a customer signing up to Sky TV with Sports pays £45/MTh for the first 18 months (with an 18-month contact) but the price rises automatically to £55 after that. If it's necessary to ensure customers aren't harmed by this practice in the broadband market it would appear to be negligent not to seek to address it the TV market given the industry practices and customer harm are similar.

Furthermore, many fixed-line customers are also subscription TV customers and for some of these customers, the purchase decision for one product/service can't be separated from the other (i.e. the two are considered as-a-whole, not independently. For example, customers may have broadband and an over-the-top content package may benefit from considering moving to a bundled broadband and TV solution. To understand the feasibility of this, they would need to know the end of contract date and conditions of both their broadband and their standalone over-the-top service. Not providing end-of-contract information on the content service deprives the customer of a helpful reminder to re-engage in the market (especially if they have deliberately left their broadband out-of-contract until their content is also out of contract to switch).

Therefore, advising customers of their broadband end-date and alternative options without the same for TV (or looking at the two together) is a considerable limitation on how effective the reform could be with some customers, and could limit the number of customers who are prompted into re-engaging in the market and avoiding waste.

Question 2: Do you agree with the way we plan to implement the requirement to send end of contract notifications to residential consumers and businesses?

Dixons Carphone is primarily a consumer-focussed organisation – however we do offer services to SME businesses and our experience would suggest that these small businesses face many of the same challenges as consumers – limited time and many competing priorities that mean that contract end-dates and price changes can be overlooked without external prompting. Smaller companies don't necessarily have dedicated resources to manage employees' connectivity needs and connectivity is just one of many utilities SMEs need to manage on top of managing and operating the business itself. We do acknowledge that larger organisations, potentially with dedicated resources and account management teams dedicated to them may need to be dealt with differently.

Question 3: Do you agree that end-of-contract notifications should be sent to end-users before the expiry of a fixed commitment period, if the contract will be automatically prolonged after that point?

Yes – Dixons Carphone is very supportive of the underlying objectives behind regulation to ensure customers are sent notifications prior to the end of their minimum term (and periodic notifications if they remain out of contract without reengaging in the market.

#1: Effective modern consumer markets

We understand a key driver of the proposed regulation (and wider customer engagement programme) is the government's policy and principles for modern consumer markets as laid out in the Modernising Consumer Markets Green Paper published by the Department for Business, Energy and Industrial Strategy. Our understanding of this paper is that active customer engagement in markets is essential for ensuring effective competition, innovation and efficiency. In practice we think this means that customers need to be periodically exploring what the market has to offer (across all providers), testing and benefitting from innovation that some providers may have launched but others may not (and in the process and through their purchase decisions driving further innovation), and actively comparing different products and services such that providers feel a competitive pressure to optimise prices and manage their efficiencies. Ofcom's research last year shows the extent to which customers are not fully engaging in the market and instead choosing (consciously or unconsciously) to stay with their current tariff and provider. Without wishing to overstate our expertise in economic policy, we do think it's important this regulation maximises the opportunity to support the wider government economic strategy.

#2: Ensuring customers get the most out of the connectivity market

A key Ofcom objective (as laid out as part of the annual plan documents) is to ensure customers continually get the most out of the connectivity market, and that they have the right solution for their needs at the best price. In previous consultations we've highlighted how quickly the market evolves with new products/services and cheaper pricing. We are also aware that customers' needs evolve and are shaped by the products and services available. Therefore, we believe it is essential for customers to regularly review what the market has to offer, review their needs in the context of what's available, and compare solutions across different providers to get the best services in terms of best-fit to their needs at the best price. We strongly believe that a solution that merely seeks to reduce customer over-paying on the services they currently have, but doesn't effectively challenge the customer to review what they need (be it less or more or just different) or effectively step-change customer engagement in the wider market doesn't facilitate the best outcome for the customer and isn't aligned to Ofcom's goal of ensuring customers get the most out of the connectivity market. Dixons Carphone is fully supportive of regulation that effectively drives significantly increased customer engagement with the wider connectivity market, but not in favour of regulation that effectively better supports providers' retention agenda than customers' interests, and which results in customers being enticed to recommit with their current provider at the expense of engaging the wider market in the best interests of the customer.

#3: Solving two specific issues of customer harm: broadband promotions and over-paying for handsets already paid for in full

We acknowledge there are two specific issues in the market resulting in significant economic consumer harm. The first issue is the practice in the broadband/TV market of offering time-limited promotional discounts that expire resulting in the customer paying significantly more than the initial headline price and more that similar alternatives in available in the market. Customers are not necessarily explicitly warned when the discount is removed, nor when the customer's minimum term is over giving them an opportunity to seek a better deal in the market. Customers who are not aware of this practice, or not aware of their contract end-dates can remain on their initial package and pay significantly more than if they'd switched/renewed.

Secondly, mobile customers on PAYM handset packages can, by not re-engaging and switching/upgrading, continue to pay their original full monthly fee (reflecting the price of the handset) beyond their minimum term even though the handset is effectively paid off. Dixons Carphone offers a reminder service that notifies customers when their minimum term is approaching and to review their needs and their package. This is available to all customers (not just those who buy from Dixons Carphone) but we acknowledge not all customers in the market use it.

For customers who are engaged these two issues don't really exist, however we understand there are significant numbers of customers who don't use such services or receive sufficient prompts re-engage and avoid effectively overpaying. We are very keen to support solutions to these two specific issues (including Ofcom and other consumer groups encouraging consumers to take advantage of our Upgrade Reminder Service). However, we're also keen to ensure Ofcom's Customer Engagement Programme doesn't become solely governed by these two issues and that the end solution also meets the fundamental and strategic objectives driving this change.

#4: Changes to the European Electronic Communications Code (EECC)

We acknowledge the potential legal mandate to adopt changes to the EECC which may or may not be affected by the Brexit process. Regardless of any legal imperative to adopt the EECC, we think Ofcom has a pragmatic duty to ensure the solution mandated by the EECC does indeed effectively and optimally support strategic objectives, principles and policies laid out for the communication market, drive outcomes and behaviours that optimise the benefit the UK consumer, and otherwise shape, interpret and/or challenge the EECC mandate where this is not the case (or could be improved.) Adopting EECC regulation that it is mandated but not necessarily in the UK consumer's best interests would, in our view, seriously undermine the integrity of Ofcom's key principles and duties of office.

Question 4: Do you agree with our proposal not to specify in a prescriptive way the words and language used in end-of-contract notifications?

Dixons Carphone is firmly in favour of a more prescribed approach and foresees significant challenges and risks in permitting providers to design their own content (albeit within the set parameters) that ultimately risk jeopardising the underlying fundamental objectives of the regulation.

Firstly, it's important to acknowledge that providers' economic interests are not necessarily aligned the strategic objectives driving this regulation and the wider customer engagement programme. It's commercially reasonable for providers to protect their economic interests and retaining customers is likely to be an important consideration when designing the form and content of the notifications. This could manifest itself as an unintentional (or even intentional) bias towards encouraging customers to selecting one of the provider's offers and influencing the customer away from researching the market (or at least doing as little as possible to encourage it). On the one hand, allowing providers to curate notifications geared towards upgrading customers might address the two specific risks of overpaying (highlighted in question 3), but it could discourage the customer going back to market and undermine the customer finding the best solution for the best price. Reducing a customer's bill for the services they receive but failing to effectively challenge customers on what they need is, in practice, encouraging customers to overpay just in a different way – spending on money on services or allowances they don't need, or by depriving them of the benefits of new services they might otherwise subscribe to.

We are not fully convinced that customers of one provider are sufficiently different to those of another provider, such as that bespoke communications are essential to driving an effective outcome. While the number of customers sticking with their provider is growing there are still significant numbers of customers who switch provider every year and don't appear to have communication challenges with the different styles that different providers use. The key messages within the end-of contract notification are not particularly complicated or nuanced such that only the current provider could write them. We accept that there may need to be some provider-bespoke elements to the notification (e.g. the description of the customer's current service) but we see no real empirical evidence for why most of the communication couldn't be standardised and prescribed.

Lastly, the extent to which the notification effectively drives the desired change in customer behaviour is key to the success of the regulation. To this end it, we think it is preferable to research a variety of different contents and forms and use best practice and continuous improvement techniques to hone and refine a single message to be optimally effective for all customers. The alternative is to give providers the freedom to hone, refine and continually improve the effectiveness of the message, but as discussed above, the provider's success criteria for the notification may be very different to those intended by the regulation. We may find the notifications evolve to being less effective at driving customers to properly engage in the market, not more.

We don't believe that adopting a more prescribed approach (particularly around what the provider's best offer means, the risks and shortcomings of the recommendation and the message encouraging customers to research the wider market) could all be achieved without necessarily conflicting or deviating from the EECC regulation. Providers would still be accountable for ensuring the right customers are identifies and notified, and the core elements of the notification as prescribed by the EECC could still be delivered, just using more prescribed language and formatting. We don't see the EECC as a barrier to a more prescribed approach.

Question 5: Do you agree with our implementation proposal for the end-of-contract notification to include the date on which the fixed commitment period will end?

Yes. We think informing customers of their contract end-date is critical for customers to understand when they should start reviewing their needs, reviewing their current plan, reviewing alternatives in the market and, ultimately, when to engage to implement the change they decide upon. Without this information customers could easily be confused into thinking they have an opportunity to change their contract when they don't (or not without significant penalties). Engaging at the wrong time could result in significant wasted customer effort that ultimately results in customer disengagement rather than the desired opposite.

Question 6: Do you agree with our implementation proposal for the end-of-contract notification to include details of the services which the provider currently provides to the end-user under the relevant contract?

Dixons Carphone is very keen to support the inclusion of current service information as part of the end of contract notification. Providing these details allows customers to quickly see if their plan is still right for them, how it compares to alternatives, and ultimately the approximate benefit of re-engaging (prompting them to do so). Forcing customers to find out this information for themselves introduced an additional and unnecessary level of friction which may discourage some customers from re-engaging, and without this information customers may be unclear about the size of the benefits from reengaging and therefore chose not to bother.

We are also very supportive of customers making full, fact-based evaluations of their needs and the right product for them. DC colleagues speak to million customers every year and feedback from colleagues suggests very few customers are familiar with the full details of their current service. Some customers have provider-apps that make retrieving this information easy, but many customers either don't have the app, don't have the right log-in details, are not familiar enough with the app to find the information quickly, or in some cases the app may not have the level of detail required. Providing current tariff information to customers enables and encourages customers to do this i.e. review whether they need all the elements of their current plan, what elements it potentially doesn't include, and ultimately make a full and fair comparison with other plans available in the market on a factually like-for-like basis.

Having the information in an easily digestible written format also makes it easier for customers to seek impartial advice if they are unsure about what their current package gives them and how it compares to alternatives. Without this, any advice would be based on what the customer is able to remember about their current deal which may not be 100% accurate.

Ultimately, without this information the customer has no frame of reference to understand how much better a provider's "best tariff" is or what the benefit of re-engaging is. We think this is key for precipitating customer interest and action, rather than just passively and temporarily engaging with the notification.

Question 7: Do you agree with our implementation proposal that the end-of-contract notification must include information regarding notice periods?

Question 8: Do you agree with our implementation proposal that the end-of-contract notification must include information regarding early termination charges?

Yes. If customers don't fully understand their notice period they may end up trying to switch to an alternative at a time when they are not eligible resulting in frustration, disappointment or unexpected charges. Early termination charges are an important economic consideration for customers deciding whether and when to switch to an alternative.

We also think informing customers of their notice periods will be especially helpful to reinforce the positive changes Ofcom have made around the switching process (effectively removing notice periods and the risk of double-paying for customers who want to switch outside of their minimum term.) Customers may otherwise be put off re-engaging by a legacy perception of complicated notice periods that no longer exists.

The customer needs to be aware of all the information they need to make a fully informed evaluation of their current service and alternatives, and the necessary information to avoid unnecessary effort, frustration, disappointment or unexpected charges should they decide to go with an alternative (all of which would create a poor perception of re-engaging and be a barrier to doing so).

Question 9: Do you agree with our implementation proposal that the end-of-contract notification must include information regarding other contracts which the provider currently provides to the end-user?

Yes. In some cases, switching one service can have implications on the price of other services also taken from the same provider. Some examples include mobile charges being different for customers who also have broadband/TV services; mobile charges varying depending on the number of other mobile connections the customer has; some "family plan" propositions can have some complex and costly implications if the "parent" connection is switched effectively "orphaning" the child-connections. Customers need to understand the full implications of switching on all their connections to make a full and fair evaluation of the best thing to do.

Question 10: Do you agree with our implementation proposal that the end-of-contract notification must include information regarding how to terminate the contract?

We are supportive of the principle of providing customers with all the information they need to make an informed decision at the end of their minimum term and then execute this decision with the least amount of hassle and friction. To this end, we are supportive of including information on how to terminate in the end-of-contract notification.

However, we are also conscious that the proposed solution already includes a considerable amount of information. Our concern here is that customers potentially face 'information-overload' which results in disengagement – the key messages are lost at the expense of trying to be too comprehensive. We're keen to explore options such as hyperlinks to reduce the density of information in the notification while still giving the customer easy access to clear advice on how to terminate.

Ultimately, we're in favour of being consumer-driven on this i.e. test notifications with a variety of information density to gauge the impact on the propensity for customers to engage with the notification ('did they read it?') and the propensity for the customer to take action ('did they understand it?' and 'was it effective?').

Question 11: Do you agree with our implementation proposal that best tariff advice should include the monthly price currently paid, and any changes after the end of the fixed commitment period?

Yes – understanding the current price of their services enables customers to understand the benefit of re-engaging and reviewing their needs (and the potential waste/cost of not doing so).

Question 12: Do you agree with our implementation proposal that best tariff advice should include changes to the service provided because the fixed commitment period is ending?

Yes, we think this is an essential part of the solution to helping customers make more conscious decisions about what to do when their contract comes to an end, especially when the price they are paying (and/or will continue to pay) is significantly higher than the initial headline price and potentially more than promotional alternatives available to them in the market. Explicitly informing customers of the cost of their service moving forwards is key to highlighting the cost of doing nothing (not re-engaging) and triggering customer engagement.

Question 13: Do you agree with our implementation proposal that best tariff advice should include the date on which the fixed commitment period ends for financially linked or otherwise dependent contracts taken with the same provider, for subscribers on residential contracts?

Yes. We are in favour of customers making factually-based informed decisions about what the best option is for them once they've reached their minimum commitment. If changing one service impacts the quality or price of another service they have then customers need to have this clearly explained so they can make a fully informed decision (and don't end up saving money on one service but spending more on another with no net gain, or worse, net loss). Equally, if other products and services are impacted then customers need to know the implications for this i.e. how long will they need to accept the changes before they are able to review the impacted services and decide what to do. Again, this is essential information for making a fully informed decision.

Question 14: Do you agree with our implementation proposal that best tariff advice should include the options available to the subscriber after the fixed commitment period has ended?

We are supportive of the principle of customers making fully informed choices and to that end agree customers need to understand all their options before deciding what to do at the end of their contract.

Equally we are conscious that customers have a wide range of options – detailing them all comprehensively may be both onerous to create and keep up to date, while showing only a subset may bias the customer towards certain products and services. Indeed, not all options may be offered by the current provider, so in only showing a subset offered by the current provider there is a danger that the customer believes they are being shown a comprehensive list of options when it isn't, and as consequence, doesn't re-engage in or research the wider market as fully as they might otherwise, if at all. This would seem to undermine the first two objectives set out in question 3 i.e. encouraging customers to actively engage in the wider market.

For example, a PAYM handset customer might have the option of upgrading to an almost infinite number of handsets and renewing their airtime; they may want to continue to use their current handset and switch to a SIMO airtime contract; they may be interested in switching to a 'credit-style' proposition which gives them greater flexibility over the handset and airtime elements; they may want to purchase another handset outright (sim-free) and switch to a SIMO airtime contract; they may want to switch to a PAYG solution, either with a new handset or a SIMO. All these are valid options for a customer at the end of their minimum term.

We think the solution to this risk is being very careful about how the subset of options is positioned to customers i.e. making it explicitly clear that…

1. the options shown are among a wide variety of options available in the market and not an exhaustive list
2. that not all options may be available from the current provider
3. that customers should fully research the market before deciding on how to proceed
4. customers should also use this market research to review their needs, whether they need all the services and allowances they currently have, and whether they can benefit from new products and services that may not have been available when they last engaged in the market

We feel anything short of this would be fundamentally misleading, constitute mis-advice, not be in the customer interest and potentially result in more, not less, customer harm. As per question 4, we think because of the importance of positioning customers' options in the right way, this wording should be prescribed and not left to providers who may have a vested bias towards products and services they offer and may not be fully incentivised to encourage the customer to make a full assessment of the market before making their choice.

Question 15: Do you agree with our implementation proposal that best tariff advice should include the provider's best tariff and with our draft guidance for subscribers on residential contracts that:

a) providers should give residential consumers at least one and up to three best tariffs options;

b) the tariffs should be based on similarity to the consumer's previous usage where relevant and otherwise based on service packages that are most like what the consumer currently receives;

c) one tariff should be the cheapest tariff available to the consumer receiving the advice;

d) one tariff should be the cheapest tariff available to any consumer (if not the same as in (c));

e) one tariff can be the cheapest upgrade tariff;

f) one tariff should be a SIM-only tariff where the consumer has a bundled handset and airtime contract; and

g) tariffs should be for a bundle of services where the consumer receives them under a single contract with the provider or has financially linked or interdependent contracts with the same provider and where the fixed commitment period(s) is about to end or has already ended.

Overall approach: best alternative offer; minimising the risk of misleading customers and customer harm; driving the best outcome for the customer and the market.

In previous consultations and sections we've drawn attention to some of the challenges with current providers recommending a "best" tariff.

1. "Best" is highly dependent on what the customer might be looking to do moving forwards (e.g. keep their mobile handset vs continue to use their existing one) which the current provider may not be aware of

2. Customers' personal circumstances and behaviours might change that mean recent usage isn't an accurate reflection of the customer's needs moving forwards (e.g. a customer might change their job or move home resulting in more travelling and higher mobile data usage than previously; a customer might subscribe to new apps and services which step-change their mobile data consumption). Again, the current provider may not be aware of these intended changes

3. Using "previous usage" to determine a customer's needs isn't an exact science and depends on both the period chosen to constitute "previous" and the extent to which trends in this data are extrapolated forward. For example, a provider may be able to see that a customer's last 6 months' usage is 4GB-2GB-1GB-6GB-6GB-6GB; using an average of the last 6 months gives a very different allowance recommendation to the last 3, and providers need to make a judgement on how significant the dip in use in the last second and third months is. The difference between a 6GB SIMO and a 3GB SIMO is £15/mth vs £8/mth or almost £100 per year, not to mention what it would cost the customer if they underestimate their usage and need to purchase out-of-allowance data-bundles.

4. A customer's needs might be influenced by new products and services on the market, which may or may not be available from their current provider (e.g. access to Virgin Media fibre which previously wasn't available; access to Gigabit FTTP broadband)

5. A current provider's recommendation of their best tariff may not be the best-fit tariff for the customer in the whole market, nor the best value/priced tariff available in the whole market. We provided two use-cases in the previous consultation to demonstrate this.

6. Fifthly, the best tariff available might have implications on the customer's other products and services e.g. if the parent connection of a mobile family plan is coming to an end, the best alternative for that connection might be a standalone SIM-only connection resulting in significant cost savings on that line but resulting in significant price increases on the "child" connections in the family plan.

Because of these factors we think there's significant risk of customers misunderstanding what "best offer" recommendations constitute or how reliable they are i.e. they are, at best, guidance based on the current provider's assumptions of what the customer needs. Interpreting provider recommendations as a scientifically-derived, fully fact-based recommendation could result in the customer being misled, confused or receiving very inconsistent advice / recommendations across different providers.

Our first preference is that best tariff recommendations are avoided altogether. We are much more in favour of a strong regulator- or consumer group- endorsed message advising customers to review their needs and research the market as the best way of understanding the latest products and services on offer, triggering a review of their needs and ultimately getting the right solution for them and at the best possible price. This could include emotive statistics around the amount of money wasted by consumers through not re-engaging that support an effective call to action.

However, we also acknowledge this approach would result in a solution misaligned with the European Electronic Communication Code regulations. We also understand Ofcom have access to research from the Energy sector demonstrating that presenting customers with specific (alternative) offers achieve a more effective call to customer-action than just a message, and that most customers interpret such offers as a trigger to research the market. Nevertheless, should Ofcom decide on a solution where providers make best-offer recommendations, we strongly believe these recommendations needs to be accompanied with wording that highlights the shortcomings of any recommendations and the risks in taking them at face value, namely:

1. The recommendation is based on your provider's assumptions and your recent usage which may not be an accurate reflection of future usage.
2. The recommended tariffs are the best offers your current provider can offer and you may be able to find a better match or a better price by researching the market.
3. The communications market is fast-paced and ever-changing - to benefit from recent innovations and get the right solution we advise you to research the market and review your needs in the light of the latest products available.

We strongly believe these caveats should be standardised (prescribed) – firstly, to minimise any risk of providers' wording resulting in the messages being softened, muddied and, ultimately, misunderstood or having diminished impact on customers (and particularly vulnerable customers). Secondly, prescribing the size, prominence, appearance and position of the caveats ensures the messages aren't missed due to provider decisions around 'form' (not just content). Thirdly, these messages are absolutely critical in terms of driving consumers to properly research the market which achieves not just the specific issue of customers being over-charged for handsets they already own (or broadband that's significantly more expensive than promotional alternatives), but also ensures customers are aware of, benefiting from and driving innovation and competition (which also drives a healthy market c.f. Modernising Consumer Markets Green Paper).

Dixons Carphone believes it's important that any best practice around the wording and presentation of these caveats are shared across all providers such that the impact is maximised and all consumers can benefit. We are not aware of sufficient empirical evidence that supports the case that customers of one provider are sufficiently different to those of another that using standardised wording would result in a significantly diminished outcome vs giving providers the flexibility to create more bespoke messages, and the latter introduces the risk that the messages may be less effective and influenced by their inherent commercial interests (retaining customers).

Greater clarity around guidelines

We believe there should be greater clarity and refinement of the guidelines for best tariff recommendations. The current guidelines leave considerable room for misinterpretation (and/or a variety of different interpretations resulting in very different customer experiences across providers). Fundamentally we think customers should be protected from harm equally, and not at the mercy of how their current provider interprets the guidelines. For example, they guidelines say, "providers should offer the best tariff for the customer" and "providers should offer the best tariff for any customer"; on the other hand "providers should offer [just] at least one recommendation (but can offer up to three)"; so if the best offer "for the customer" isn't the best offer "for any customer" does the provider need to inform the customer of the latter on the basis they only need to make one recommendation, or in this instance does the provider need to inform the customer of both?

Similarly, points c) and d) in the guidelines simply refer to "cheapest offer" which if interpreted at face value could mean a 250MB SIM-only rather than the "cheapest offer for a tariff with an allowance similar to recent usage". The latter is perhaps implied but we'd suggest tighter wording to avoid misinterpretation.

"Best tariff for any customer"

We are very much in favour of mandating providers inform customers of both the best tariff for them and the best tariff for any customer. In previous consultations we've highlighted the practice of personalised retention offers, how this prejudices against certain customer segments (and, in particular, vulnerable customers) and how it reserves the best offers in the market for those customers who have the right negotiation skills to unlock them. We're also keen to highlight the principle set out in the "Modernising Consumer Markets" Green Paper published by the Department for Business, Energy, and Industrial Strategy (BEIS): "Suppliers also have an increasingly greater ability to identify and segment consumers into different groups based on their individual characteristics or behaviour and charge some customers significantly more for the same goods or services… no one should be exploited if they lack the time or capacity to engage and the vulnerable should be protected." Mandating providers to inform customers of both the cheapest tariff for them and the cheapest tariff for any customer both highlights the extent to which some customers less able to negotiate are paying more, and ultimately encourages providers to be more transparent and fair around upgrade / retention pricing.

"Best offer" needs to mean <u>best</u> offer for the recommendation to be transparent to customers

If end-of-contract notifications are to include best-offer recommendations from providers, and positioned as best offers, then they do need to be the best offer the current provider can make.

The 'best offer' not only gives the customer an indication of the potential benefit of reengaging in the market but also potentially makes the job of comparing their current provider's best offer with the market much easier. This contrasts with today where researching the market is very inefficient and time-consuming, with customers needing to go back and forth between offers in the market and their current provider's retention team who may be able to offer gradually improving offers if the customer is able to find better elsewhere. Providing a written "best offer" simplifies this process for the customer – they no longer need to go back and forth because they know the best price their provider can give them – they just need to compare the market once with their end of contract notification information.

However, this benefit will be undermined if providers are only obliged to inform customers of the best "above the line" price for any customer or if providers are allowed to subsequently offer cheaper deals having already informed the customer of their 'cheapest deal' – this regulation will then do little to help customers avoid the hassle of trying to compare an open above the line market change the practice of retention offers, harm to vulnerable customers or address the principle set out in the BEIS report highlighted above.

We would also like to highlight that providers often have different offers available in different channels – retail offers sometimes different to online offers, and different to over-the-phone offers. We think it's important that if a provider makes a recommendation of a best offer, then this is the best offer to the customer available in any distribution channel. If customers are told an offer is "best" only to find out they could have got a better deal with the same provider (just in a different channel or by engaging in a different way) this could result in the integrity of the whole notification being questioned and customers disengaging from the whole end-of-contract notification solution altogether.

We have considered different ways to for the regulation to include safeguards to ensure that "best offer" can be trusted by customers. Ultimately, we think this is unpracticable – preventing operators from subsequently undercutting their best-offer recommendations for a period of time could unfairly impact a provider's price-agility; penalties for providers who systematically undercut their own best offers are unlikely to work due to the burden of proving this, not to mention the operational cost of monitoring it. Therefore, we think the solution again lies in emphasising to the customer through prescribed messaging that the provider's best-offer recommendation is, at best, an indication of the alternatives, that even better offers might be available in different channels, and that customers should always research the wider market to ensure they find the best deal for them.

Early upgrades and ensuring customers approaching the end of their minimum period can decide on their next product in a fair and balanced way

We are concerned that "best-offer" recommendations could be used in conjunction with early upgrades or dispensation on the customer's current commitments. For example, a provider might send out an end of contract notification 45 days in advance of the contract end-date with a best upgrade offer allowing the customer to upgrade (or switch to silo early). This gives the customer a potential 1 month saving and/or a new handset 1 month earlier if they recommit with one of the provider's best offers and makes the decision to wait and reengage in the market more fully less attractive. In this way, the end-of-contract notification regulation could serve to reduce customer engagement in the market and undermine the wider strategic objectives of the customer engagement programme.

Question 16: Do you agree with our proposed implementation on the timing of the end-of-contract notification?

Our concern here is that the 10-45 day window leaves scope for providers to inform customers of their end-date only 10 days prior to it happening i.e. insufficient time to properly research the market and alternatives, make a decision and transact. This may mean customers inevitably end up extending their existing deal for at least another month (potentially at non-promotional rates, or at a rate reflecting handset repayments despite the handset being paid off).

As per previous consultations, we would prefer providers to send 3 notifications, one 45-60 days prior to the end of the contract to trigger the customer's consideration journey, one 0-10 days prior to trigger the customer's purchase journey, and one 30-60 days after as a safety net for those customers who haven't re-engaged. Given these communications could be electronic we think there's minimal additional cost to this approach and a significant increase in the chances of customers acknowledging and acting on the key messages.

Question 17: Do you agree with our proposed implementation regarding the form of the end-of-contract notification?

Our key points regarding the form of the notification are effectively made in previous sections regarding the use of prescribed content and form.

We disagree that electronic versions of the notification should have the option to click through to transact one of the best-offers suggested. We have discussed in depth the flaws and potentially misleading nature of best-offer recommendations, and how the best customer outcome is achieved by the customer researching the whole market. We think “click-through” buttons effectively encourage the customer to interpret the best-offer recommendations at face value i.e. imply that they are indeed the best and that the customer should simply transact, rather than engaging in deeper research, both in the provider’s other channels and the wider market. Therefore, including them presents a contradictory and confusing message to the custom (c.f. our recommendations around positioning what best offers mean) and undermine the desired outcome in terms of customer behaviour.

Question 18: Do you agree with our proposals to ensure accessibility of the end-of-contract notification?

Dixon’s Carphone agrees that vulnerable consumers and/or consumers with disabilities should have comparable access to end-of-contract notifications, and the proposals laid out in section 7.6.

Question 19: Do you agree with our implementation proposal that annual best tariff notifications to be sent only to end-users who are outside of their fixed commitment period?

Dixons Carphone are very much in favour of mandating additional notifications to cover customers who are already passed the 10-45 day window before the end of their contract and who wouldn’t necessarily receive an end-of-contract notification. An end-of-contract notification alone would fail to address a significant number of customers currently out-of-contract and do nothing to raise awareness of the potential opportunities of re-engaging with this section of the market i.e. the regulation would only benefit and achieve the desired objectives with only a subset of customers.

Equally, in question 16 we’ve raised our concern around how a single notification may be easily missed and may not be enough to achieve a significant step-change in customer re-engagement and awareness of the benefits of doing so. We think not only is it important to inform customers approaching the end of their contract, but also continue to periodically remind customers choosing who haven’t reengaged to review the benefits of re-engaging. A key success factor of the regulation should be that the customers not to re-engaging should only be those making an active and conscious decision not to do so.

We recognise there may be some benefit in sending an annual notification to all customers - even customers in contract have the option to review and change their needs and package, and customers may only be subject to an early termination fee if they decide to prematurely end their current contract (i.e. not all changes may attract a fee). However, we’d recommend taking a customer-led approach on this and gathering data to understand the extent to which customers would find this useful and act upon it to derive tangible benefit. Dixons Carphone has no data on this at this time.

Question 20: Do you agree with our proposed implementation of the requirement to send annual best tariff notifications by specifying that providers must inform end-users of:

a) the fact that they are not within a fixed commitment period for the relevant contract or contracts;

b) the services which the provider currently provides under that contract or contracts;

c) any applicable notice period(s);

d) details of other contracts the end user has with the provider;

e) the monthly subscription price(s); and

f) the options available;

We see no reason to send out-of-contract customers different information to the standard end-of-contract notification (except for informing them they are out of contract, rather than approaching the end of their contract). The principle of encouraging customers to make fully informed fact-based decisions is equally applicable, and we don't see why the information they need would be any different or why these customers would inherently be more, or less, informed as a starting point than customers receiving the standard end of contract notification.

Question 21: Do you agree with our proposed implementation of the requirement to send annual best tariff notifications by specifying that providers must inform end-users of the provider's best tariffs and with our draft guidance for subscribers on residential contracts

Dixons Carphone isn't aware of any reasons why customers who are out-of-contract are different to customers approaching the end of their contract – we don't see that the former are necessarily more or less well-informed, nor that they are different in terms of the information they require to make a fully informed decision. Therefore, we don't see why the information required would be any different

Question 22: Do you agree with our proposed implementation on the timing of the annual best tariff notification?

The current proposal mandates providers to send out-of-contract customers a notification within 12 months of the regulation coming into force or/and then within 12 months of their previous end of contract notification. This means a customer ending the contract the day before the regulation comes into force (such that they don't receive an end-of-contract notification) may not benefit from this regulation for another 12 months (which could be as late as October 2021, given Ofcom's timetable in 2.21 Figure 2 and a six-month implementation window). Taking the Citizens Advice figure of out-of-contract mobile customers overpaying by £22, this customer would effectively unnecessarily waste another £264. Dixons Carphone would be keen to see that customers not addressed by the end-of-contract notifications receive an annual notification much sooner after the regulation comes into force.

We would also challenge whether an annual notification is sufficient to make a significant step-change in awareness and engagement. Customers may 'miss' a single annual notification for a wide variety of reasons (e.g. mistaking for junk mail or junk e-mail). Or, customers may receive the notification at an inconvenient moment, put it to one side but for a wide variety of reasons not come back to it (we need to recognise that modern customers' lives are busy). There is a disproportionate penalty for missing the notification i.e. another 12 months of potential over-paying (hundreds of pounds using the Citizens Advice calculations). Therefore, we suggest that out-of-contract customer should receive a notification at least quarterly (or, at least, customers should be surveyed to see how often they deem it necessary/appropriate).

Question 23: Do you agree with our proposal to implement the annual best tariff requirements by specifying that providers should combine the best tariff information in a single notification for those end-users who have two or more contracts outside of their fixed commitment period?

We think combining annual notifications for those customers with more than one out-of-contract service is an opportunity both to be more efficient, but also helps customers make more holistic decisions i.e. receiving a combined communication doesn't prevent a customer from looking at independent separate solutions but does prompt them to consider 'converged' or bundled solutions that may offer greater savings and/or convenience.

We also think there is a benefit in customers considering out-of-contract services together, as may increase the perceived benefit from re-engaging (savings on multiple services) and therefore may customers more likely to engage. For example, a £20/mth saving on mobile and £20/mth saving on broadband independently each give the customer a £240 annual saving, but together offer nearly a £500 annual saving i.e. anecdotally more worth spending a few hours reengaging in the market for (notwithstanding researching 2 services may take more time than 1).

Conversely, receiving separate independent notifications would give customers a more frequent reminder of the potential benefits of re-engaging in the market, albeit explicitly only on one service but in principle applicable to the other services they have.

Question 24: Do you agree with our implementation proposals regarding the form of the annual best tariff notification?

See Q17

Question 25: Do you agree with our implementation proposals for the timescale within which providers must comply with the end-of-contract and annual best tariff notification requirements?

Feasible timescales will very much depend on the impact on individual provider processes and technology (with which Dixons Carphone isn't familiar.) We would note that the proposal would appear to use existing communication channels and tools which may help accelerate implementation, but equally there maybe complexity both in terms of internal policy decisions and implementation around identifying best tariffs etc. Therefore, providers are perhaps better placed to respond on this.

Question 26: Do you agree with the way we plan to monitor the effectiveness and impact of end-of-contract and annual best tariff notifications?

We think it's important to measure and monitor the both operational hygiene of the proposed regulation (i.e. ensure notifications are being sent in a compliant way) as important 'lead indicators', but also the overall effectiveness of the regulation i.e. is it driving the desired outcome in terms of depth and frequency of customer engagement in the wider communication market. We also think it's important to continue to measure overall levels of customer engagement in the market as part of an ongoing continuous improvement programme.

In terms of tracking compliance, we agree it's important to gather information necessary for both proving providers are sending notifications in accordance with the regulations and investigate any cases where customers believe they have been misinformed or misled. We agree records of notifications should be kept, and providers should also make their historical product and pricing catalogues available to Ofcom to enable monitoring of 'best-offer' recommendations (to ensure that 'best' means best).

We also agree with Ofcom's proposals to engage in a wide variety of qualitative and quantitative research to test the impact of end-of-contract notifications, for example, on the proportion of customers engaging with them, on the proportion of customer acting on them and how, on the numbers of customers continuing to pay full PAYM handset rates beyond the end of their minimum term, on the number of customers not re-engaging at the end of their broadband contract and the extent to which this is related to the loss of promotional discounts. Customer feedback should also be gathered on how notifications could be improved.

Ultimately, we think Ofcom should continue to monitor overall levels of customer engagement to monitor progress against the strategic objectives behind the end-of-contract notification solution. Ofcom already produces detailed annual reports on important aspects of the communications market (customer service and complaints, pricing etc.) and given the importance of customer engagement, both in terms of wider economic policy and minimising customer harm, we would welcome an independent annual report on customer engagement. This approach could include qualitative research to track and segment attitudes to re-engaging in the market (continuing the Ofcom's research from last year); continuing to run quantitative studies on the numbers of out-of-contract customers not upgrading or switching; qualitative and quantitative research into how customers are researching the market as a lead-indicator to understanding the spread of pricing in the market and the effectiveness of consumer competitive pressure; studies to measure the time and effort customers exert on researching the market to understand if more needs to be done in terms of tools or unhelpful practices. Incorporating this into an annual study would allow these key data points to be tracked over time, highlight key trends, and ultimately understand whether the end-of-contract notifications solution are driving the desired strategic outcomes.