

uSwitch response to Ofcom's mobile switching experience and process reform consultation

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1 Introduction

1.1 About uSwitch

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. uSwitch is the largest broadband and mobile comparison service in the UK, by online traffic. In 2015 uSwitch is celebrating 15 years of saving customers money.

uSwitch is part of Zoopla Property Group plc, a digital media business that owns and operates some of the UK's most widely recognised and trusted online brands including Zoopla, PrimeLocation, SmartNewHomes and HomesOverseas.

1.2 This response

In this document, uSwitch has set out broad views in response to each of the questions in Ofcom's consultation document. uSwitch believes that Ofcom should work with industry to implement a fully gaining provider led mobile number porting process.

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3 Switching framework

3.1 The need for gaining provider led mobile switching

Q1: Do you agree that current mobile switching processes impair the consumer switching experience through increased switching costs, coordination difficulties, loss of service, uncertainty of porting status or risks of unwanted save activity? What benefits do current processes deliver which would be difficult to achieve through alternative processes?

Q2: What advantages and disadvantages could GPL switching processes offer, compared to current mobile switching processes? In particular, how important is it to make it easier for consumers to switch without being required to speak to their current provider?

uSwitch has long campaigned to move to recipient-led switching in the mobile sector. We believe it is about time mobiles, and some other communications services, fell in line with other industries, with a fully gaining provider led switching process.

Mobile switching currently has multiple touch points. For example, a consumer is likely to have to contact their losing provider in situations where they wish to continue using their current number and/or handset. We see the mobile number portability process as the area of primary concern in relation to communications market switching.

Under existing processes, mobile providers have a strong commercial incentive to only offer their best deals to the minority of customers who threaten to leave. This leads to price discrimination based on how savvy a customer is. We believe gaining provider-led switching results in less retention tactics, more switching, more open competition, and ultimately increased consumer welfare.

With the existing process, our research¹ shows 31% of mobile users have never switched, and just 15% switched in the last 12 months. Ofcom research shows that 93% of us own a mobile phone, which suggests that over 14.5 million people have never switched their mobile phone contract².

¹ Research was carried out via Opinium Research between 2nd and 5th June 2015 amongst a nationally representative sample of 2,005 UK adults aged 18+.

² According to the ONS, there are 50,501,583 UK adults aged 18 and over. Ofcom says 93% of UK adults own a mobile phone. 31% of those mobile users have never switched.

If consumers have confidence in the switching process, they are more likely to make the most of a competitive market and enjoy considerable savings from switching their mobile. Unfortunately, too many people are missing out because they feel the process is not worth the hassle - 15% say that switching just isn't worth it for the hassle involved³.

Some of the biggest issues cited with the current process include the hassle factor, concerns about being left without a service and how long it might take. When they attempt to switch mobile provider, some are even forced to call the provider they are leaving - which can be daunting and put the brakes on the switch.

We believe there is a clear increase in consumers looking to find information on how to switch provider, for example we note Google trend search data as shown in Annex 1. More people than ever before are searching for information on PAC codes, keeping or transferring your mobile number.

In a European context, the UK stands alone in offering a more complex and donor-led process, which often causes difficulty for consumers when choosing to switch mobile providers. Many European countries utilise a recipient-led process, with a single call to the new provider sufficient to commence the entire switch. This would avoid consumers' perceived hurdles of 'pushy' retention teams, increased hassle and the fear of a difficult conversation with the existing provider to obtain a PAC, as well as induce greater switching by removing barriers and finally bring processes in line with the rest of Europe.

3.2 Consistency with other communications services

uSwitch has previously argued that achieving an appearance of consistency in switching processes across communications services from the consumer's point of view is required, if we are to break down some of the perceived barriers to switching.

There are a number of improvements to the process that consumers would like to see in addition to a gaining provider led system. Nearly half (43%) of mobile users would be more inclined to switch if the new provider could guarantee that they wouldn't be left without a service. Over one in four (29%) would if it happened within a specified time frame and a quarter (24%) would like to see updates from their provider on the switching process. With the growing prevalence of bundled services, 30% said that they would be more likely to switch if they could switch multiple services within one bundle⁴. At the moment,

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if a consumer takes a number of services with one provider, different rules can apply for different products.

4 Preferred options

4.1 GPL porting process

Q3: To what extent do you think the two options we have identified address the drawbacks with current processes we initially identified? Are there other options we should consider?

uSwitch favours a fully gaining provider led switching process, Option 2 as set out in Ofcom's consultation document. We believe this is the key to creating a more open and competitive switching market, as well as removing those perceived hurdles that dissuade customers from engaging today. Reducing complexity and putting power in the hands of those looking to switch to find the best deal is essential, and GPL addresses many of those major concerns and could break the apathy that many have with the mobile market.

We note Ofcom's consideration of an improved essentially LPL process involving automated request and deliver of a PAC. We accept this is somewhat of an improvement of a multi-touch process with increased hassle for the consumer, although we are not convinced this would fully address the problem.

We could only see a potential case for Option 1 if the costs for the option are materially less. In any event, if Ofcom did consider a variant of Option 1 further, we would recommend build in a third party access component to the automated request. We could imagine for example the gaining provider requesting and receiving the PAC entirely on behalf of the customer, assuming consent is given. In this scenario industry could build a quasi-GPL system, using the same underlying PAC processes that reduce the need for consumers to manage the process beyond selecting a new provider.

4.2 Consumer protection

Q4: What mechanisms could these processes use to ensure that consumers are adequately verified, and protected from being switched without their consent or knowledge? What mechanisms could be employed for ensuring that consumers are adequately informed about the implications of their decision to switch?

We suggest that Ofcom broadly mirrors the slamming protections it put in place as part of the Openreach NoT+ changes. We appreciate the primary difference is the speed with which a mobile number port can be carried out is far quicker than

the transfer period in NoT+. We are not convinced there needs to be a proactive losing provider led verification step as part of the process, but we would expect instant automated text messages could be delivered to ensure the appropriate information is delivered to consumers very quickly.

We suggest the following mechanisms could be employed;

- Gaining provider should store the record of consent to port the number for at least 12 months
- Losing provider should send a SMS notification to the customer using the target number explaining the implications of porting, including any triggered early termination fees - ensuring the customer does not need to contact the provider
- Back-end verification between providers that the customer's name and addresses match, requiring an exact match.

4.3 Costs

Q5: Do you have any comments on the indicative costs of the options we have considered in this document?

uSwitch is not best placed to offer an analysis of the costs of the options under consideration by Ofcom. However we note examples elsewhere in Europe where fully gaining provider led mobile number porting systems have been achieved, we do not therefore expect any costs to be prohibitive. Any costs should be considered against the likely consumer benefits, particularly the positive impact delivered to consumers through greater market competition.

5 Other comments

Q6: Do you have any other comments in relation to the matters set out in this consultation?

uSwitch has previously set out our views on broader communications market switching issues, for example the recent Consumer Switching Call for Inputs and in response to Ofcom's Digital Communication Review discussion document.

With particular reference to mobile, we note that the ability to port the mobile number is just one, albeit major, aspect to mobile switching. Mobile handset locking can also be a significant barrier to switching.

5.1 Mobile handset unlocking

We note that Ofcom has previously tried to raise awareness of handset unlocking but we feel there is further scope to reduce this as a barrier to switching, particularly in the context of the growing SIM-only part of the market.

Unlocking your mobile phone is another perceived barrier to switching. There is widespread confusion around whether you are allowed to unlock your phone, how long the process takes and how much it should cost, as this varies hugely across the different mobile providers. Our research⁵ shows one in five (17%) people don't know if their phone is locked or unlocked in the first place.

Nearly five million people pay out over £48 million every year, just to be able to use their mobile phones on other networks. More than six in 10 (62%) of those who unlocked their phone had to pay for it – some providers charge up to £19.99 to unlock a handset despite other networks offering it for free. Almost nine in ten (87%) mobile users argue the unlocking process should be free⁶.

Unlocking can be done instantly, but many providers take up to 30 days⁷ for a phone to be unlocked - further prohibiting the consumer's ability to switch as they may fear that they will be left without a service.

⁵

<http://www.uswitch.com/media-centre/2015/06/brits-spend-over-48-million-unlocking-mobile-phones-every-year/>

⁶

<http://www.uswitch.com/media-centre/2015/06/brits-spend-over-48-million-unlocking-mobile-phones-every-year/>

⁷

<http://consumers.ofcom.org.uk/phone/mobile-phones/changing-provider/mobile-phone-locking-and-unlocking/>

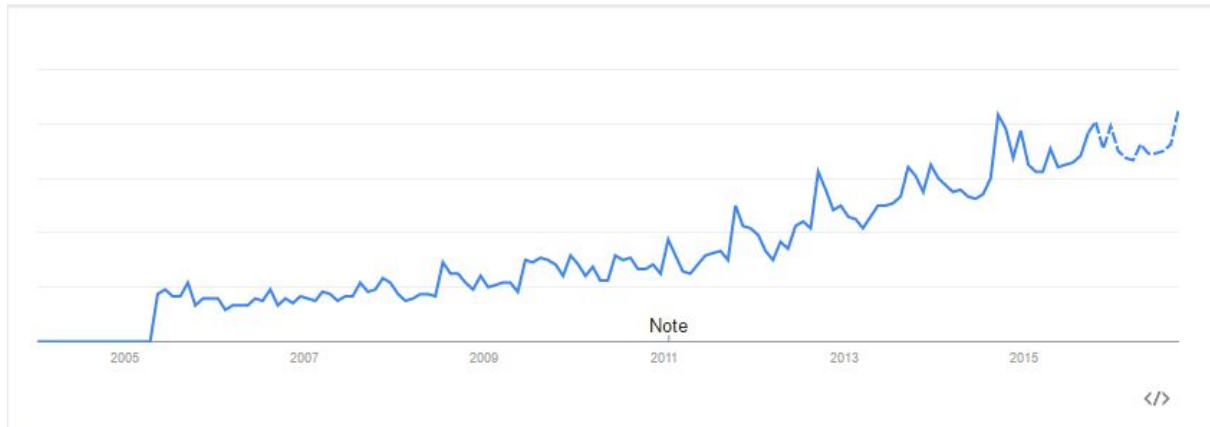
We note that some mobile providers, such as Three and giffgaff, are already offering unlocked handsets at point of sale, or the ability to unlock at any point in the contract. However, there are two areas where this still creates a barrier to engagement and potentially switching for mobile consumers.

Firstly, requiring the consumer to make any proactive contact with their provider, just to take advantage of free handset unlocking, is a hassle factor. Further it offers an opportunity for the mobile provider to engage in save activity as part of the unlocking journey. While we do not see save activity as a problem in and of itself, we believe that the need to do this for some consumers can put them off actioning an informed decision. Secondly, there is now inconsistency in the unlocking policies of the different mobile providers. We believe this makes explaining to consumers their options in switching more difficult.

We would like to see Ofcom consider whether agreeing an industry-standard for unlocking could better facilitate switching. In particular, we would like to see Ofcom consider a requirement to provide handsets offered on pay-monthly contract unlocked at the point of sale. By doing this on pay-monthly contracts only, mobile providers would still be assured of recovering the cost of the handset within the initial contract period, with added consumer benefit of avoiding another losing provider touch point should a customer wish to switch to the growing SIM-only market.

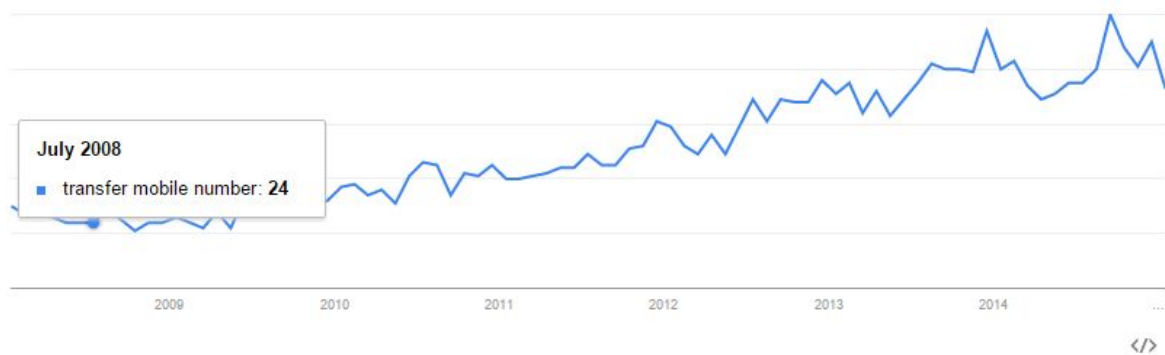
A1 Annex - Google search trends for mobile switching terms

Increase over time of UK searches for 'PAC code'



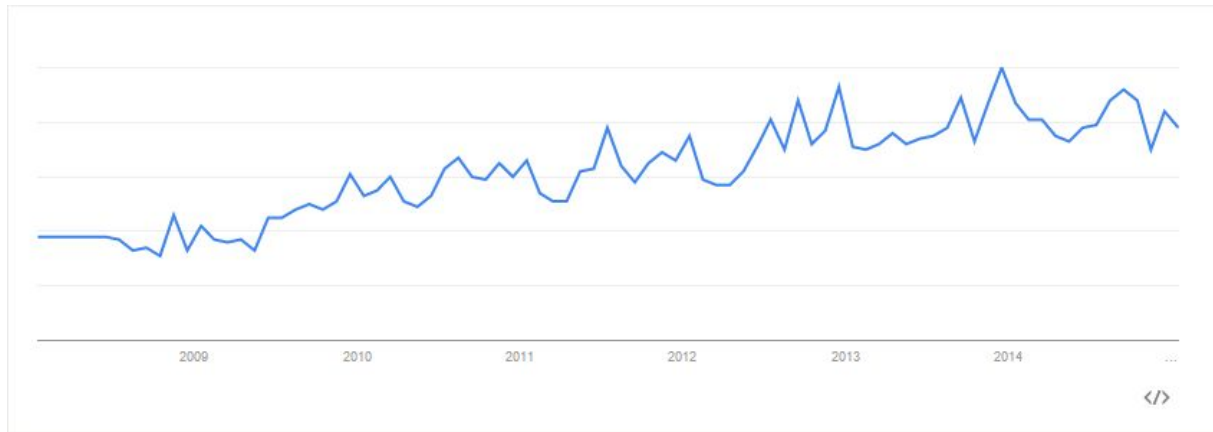
Source: Google Trends

Increase over time of UK searches for 'transfer mobile number'



Source: Google Trends

Increase over time of UK searches for 'keep mobile number'



Source: Google Trends