

## Consultation response

# Consumer Switching

Consumer experience of switching mobile communications services – Which? consultation response.

Which? is the largest consumer organisation in the UK with more than 1.2 million members and supporters. We operate as an independent, a-political, social enterprise working for all consumers and funded solely by our commercial ventures. We receive no government money, public donations, or other fundraising income. Which?'s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives, by empowering them to make informed decisions and by campaigning to make people's lives fairer, simpler and safer.

### Consumer switching in mobile

Which? welcomes the opportunity to respond to Ofcom's consultation to improve switching in the mobile sector. We have been calling for easier switching across communications for a number of years and are pleased that Ofcom has made progress for both landline and broadband customers on the copper-wire part of the Openreach network by introducing gaining provider led switching since June.

It is a year since Ofcom's call for inputs on the issue and harmonisation of the switching process across the whole sector is needed swiftly. The current system, particularly between mobile phone providers, impairs consumers switching experience and results in increased detriment to them.

Ofcom should push ahead with the remaining parts of the communications sector that still operate on a losing provider led process, as well as looking at the impact of bundled packages on switching. There are a range of reasons why triple play might reduce switching, through more complex processes, decisions, and fears of loss of service. It is important that Ofcom are on the front foot on triple play switching, before undesirable contract terms and processes become established.

In addition, the scope of the current work that is under way could be broader. We note that Ofcom has ruled out looking at retention activities by mobile providers, which may dampen competition, by raising customer acquisition costs.

Telecommunications are important services for consumers and are increasingly considered essential. Consumers have rapidly increased their usage of mobile phone services over the last decade - mobile phone use is now ubiquitous with 92% of adults using mobile phones.<sup>1</sup> In 2013 there were a reported 83.1 million mobile phone connections, an equivalent of 1.3 phones per person.<sup>2</sup> Unsurprisingly, mobile phone service is increasingly being seen as a utility, rather than a luxury.

As consumers continue to increase their usage of these services it is vital that these markets work well for consumers. One important feature of well-functioning markets is the ability of consumers to switch providers easily and quickly when they desire, ideally achieving the

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<sup>1</sup> P4 of cost and value of communications services in the UK, Jan 2014

<sup>2</sup> ONS population statistics put the UK population at 64.1m in 2013.

best available deal for their circumstances. Switching plays an important role in promoting competition amongst retailers and helping drive innovation.

Ofcom research shows that there are still low levels of switching across the communications sector and in particular amongst mobile phone customers. Only 6% of consumers on a mobile contract switched between 2013 and 2014, whilst other research has showed that almost half of people on a contract (48%) have never switched providers and of those who have switched, 46% switched more than four years ago.

It is therefore important that Ofcom implements the measure which will have the greatest benefit to consumers and address a higher proportion of the barriers to switching. Whilst there is merit in simplifying the process of obtaining a PAC, as outlined below moving to a Gaining Provider Led (GPL) switching system will have the greatest impact on consumers experience.

### Simplifying the process for obtaining a PAC

Ofcom's first proposal focuses on simplifying the process when consumers want to port their number to a new provider and need to acquire a code, known as a porting authorisation code or PAC. Currently, in these instances consumers have to contact their existing provider directly and when they do they are regularly offered retention deals, not advertised to the general public. For people who have decided that they want to leave that provider, it creates an additional unnecessary barrier, and for others it may add confusion and delay to their search.

Whilst obtaining a PAC via SMS or a system using Interactive Voice Response could make this part of the switching process simpler, it will not address other larger barriers to consumer switching in the mobile sector. These barriers include the need to co-ordinate the timing of your switch between the two providers to limit any period of double billing or time without service. Consumers would still have to contact the losing provider, which lowers the cost of retention activities, and increases acquisition costs for other providers.

Moving to a GPL process would remove the need for the consumer to contact the existing provider for the PAC. Instead this process would be handled by the new provider which further simplifies the experience for the consumer.

### Putting in place a Gaining Provider Led process

Moving to a system of Gaining Provider Led switching in the mobile sector would have the most impact for consumers and their experience of the switching system. It would also bring the system in line with the process introduced for both landline and broadband customers on the copper wire portion of the Openreach network. As previously stated, Ofcom should go further and ensure that there is a harmonised process across the whole of the communications sector, including fibre.

Currently, switches rely on consumers contacting their current and new providers simultaneously to terminate their old contract and activate their new one. This creates a barrier to switching, adding additional costs, time and hassle.

Both the Government and Ofcom recognise that switching processes work better for consumers when they are managed by the gaining provider - as in energy and financial services - and there is no need for consumers to contact their existing provider. They are far easier for consumers to navigate. GPL is already the standard practice across most other EU countries where it appears to work well.

It would significantly reduce consumer hassle and would drive forward competition, as described below.

### *Confusion*

One of the unnecessary switching costs is confusion around how to switch. It is possible that confusion may be exacerbated by the patchy reform to switching processes in the broadband market that Ofcom implemented earlier this year. Ofcom has only ruled that a new GPL switching process be applied to broadband switches on the copper-based portion of the Openreach network only.

A single switching regime across the entire telecommunications industry should alleviate confusion around the process of switching. Increasingly, consumers view broadband, landline, TV and mobile as complementary services. The take up of bundles of the first three services has risen significantly over the last few years and this is expected to increase, particularly with consolidation in the market from the proposed merger of BT and EE.

As these services are increasingly grouped together, it is important that the switching processes are uniform to encourage consumer confidence around switching. As well as implementing GPL in the mobile sector, Ofcom should move quickly to adopt switching reforms across the whole of the landline, mobile and pay TV markets, as well as to all telecommunication bundles.

One issue with GPL switching is that the consumer may not be aware of exit fees. If consumers choose to switch while they are still in the minimum term period of their contract, they will be subject to early termination fees. These could be significant depending on the duration left on their contract, and depending on how much they are paying towards equipment subsidies such as mobile handsets. As such, it is important that mechanisms are put in place to ensure that consumers know exactly what their obligations and rights are, including any financial commitments they still have.

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