

Consumer Futures

Re-engaging Consumers

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Why it matters (and who does it matter to)

- **Suppliers** - Get through the door to fix things, install meters, sell products/services, keep operating costs low.
- **Policy makers** – Consumers discipline markets, reduce energy use, shift consumption patterns.
- **Consumers** - Affordable energy, a fair deal and quick resolution of problems, help to use less energy

Why it isn't happening

FEAR - about affordability, debt, loss of control

UNCERTAINTY – about the process, the offers, the benefit

DOUBT – that is makes a difference, that suppliers deserve
Trust

ACCESS - lack of skills, knowledge, tools

Trust is in accelerated decline

- ‘Just 38% of UK consumers trust energy firms to do the right thing, revealing a trust crisis that is simply not replicated in other countries - the global average trust score for the energy sector was 57%’

Edelman 2013

- 64% "would be more energy efficient in the home if someone told them how". But 60% didn't want energy efficiency advice from utilities. 68% said this was because they believe energy companies are only interested in making money, not helping them.’

Ipsos Mori for EST 2013

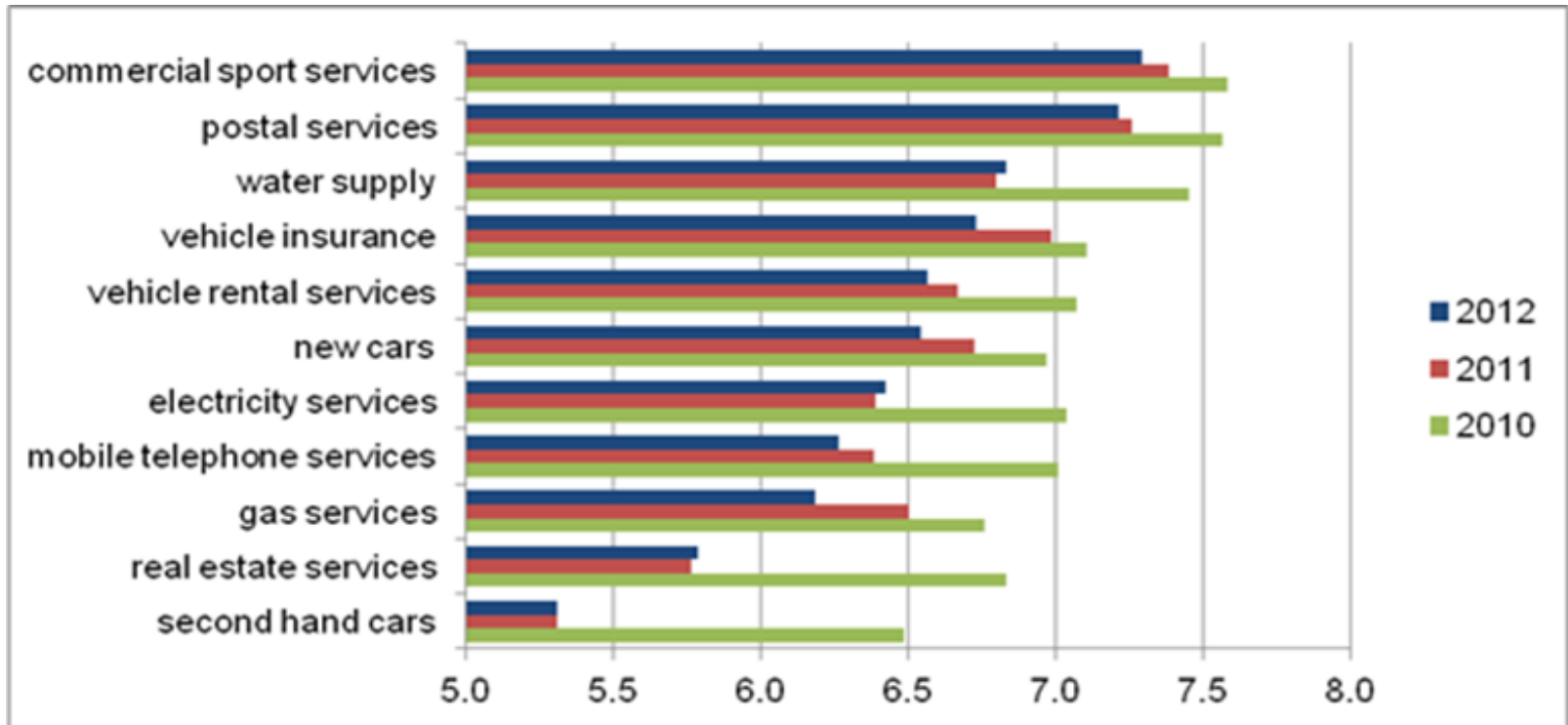
- ‘Nearly 60% of people also said they don’t trust energy firms at all – making it the most distrusted in the consumer industry sector – compared to banking (33%), car salesmen (55%) and train companies (27%).’

Which? 2013

- ‘1 in 10 consumers have come to trust consumers more in the last two years, 43% have come to trust them less’

You Gov 2012

EU MARKET MONITORING 2012



Markets with worsening scores for trust

Supplier satisfaction is in decline

- Only half of consumers are very or quite satisfied with the service they get from their current supplier.
- Satisfaction has dropped a total of 13 percentage points for electricity and 12 points for gas since 2008.
- Downward trend in satisfaction is seen across all age, social class and country groupings.
- In the electricity and gas markets, the gap in satisfaction between the best performing suppliers and the worst performing suppliers is narrowing

GfK panel qtr 2 2013

Switching is in decline

- Supplier switching levels have declined. Q2 2013, 9% of electricity consumers and gas consumers seriously considered switching their supplier
- Process and inertia are key barriers. The main reason given by those who seriously considered switching but didn't was that the switching process was too difficult/confusing (16%)
- Over 10% who seriously considered switching decided to stay with their supplier because they found a better deal or were offered a better deal with their current supplier.
- Lower prices is the dominant reason for switching (cited by three quarters of switchers), followed by capped price/price freeze (a quarter of switchers) and dual fuel discount (a quarter of switchers).
- Despite low satisfaction with suppliers, only 6 per cent of switchers switched because they were dissatisfied with their supplier.

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Yet consumers are supposed to be like
greyhounds in the slips

At least do this

- Bring the soap opera of costs, prices and profits to a head
- Respond to the needs of all consumers, including those in vulnerable situations
- Speed up switching, simplify products and improve standards across the whole market
- Facilitate greater choice about how to safely engage and who to engage with

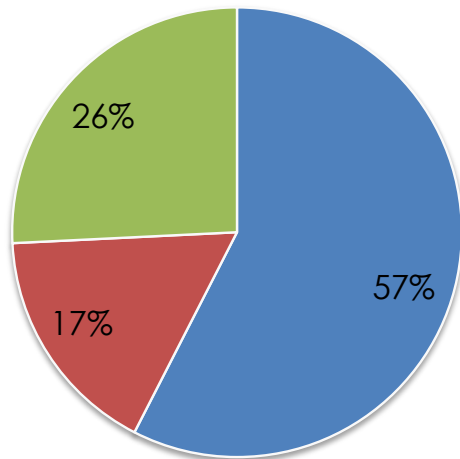
Focus on those with most reason to be disengaged

- Competitive prices and budgeting facilities
- Make innovations like collective switching work for all – prepay customers
- Warm homes discount and switching
- Communicating no standing charge tariffs – low users who cannot afford to use their gas central heating

For many consumers, control remains a critical factor

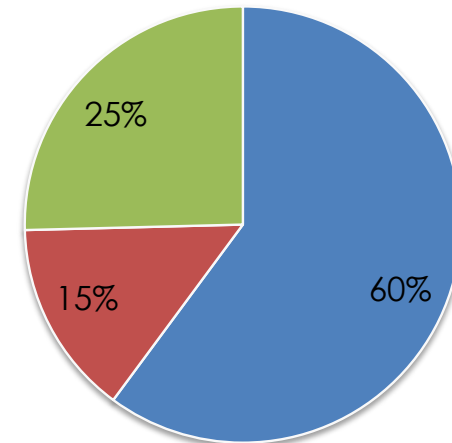
Electricity

- Monthly Direct Debit
- Prepayment Meter
- Quarterly Cash/Cheque



Gas

- Monthly Direct Debit
- Prepayment Meter
- Quarterly Cash/Cheque



Ofgem, June 2012

Consumer engagement is not the problem

Get the basics in place

- RMR – simpler, clearer, fairer
- Faster switching
- High standards of customer service
- Delivering accurate bills
- Direct debits
- Better deal for prepayment meter users
- Appropriate regulation for TPIs
- Strengthened licensing process for new entrants
- Streamlined consumer advice and redress

Not just engagement – but automation and delegation

- home automation that only heats the rooms I'm in or the home only when I need it;
- complaint handling and redress that is handled by someone else;
- washing machines and other appliances that come on when the price of energy is low without me having to evaluate, assess, decide and spend valuable time...
- third parties that automatically switch people to the cheapest deal for them – new generation intermediaries NGI's;

Info. about me:

- Current arrangement
- Consumption patterns
- Requirements
- Preferences



Info. from providers:

- Offers available + price

**Intermediary
as
information
integrator**



Independent performance info:

- User feedback
- Performance (against regulatory metrics)
- Independent ratings (Which? etc.)
- Expert analysis (incl. actual performance against advertised claims)

Wider Potential of NGI's



- Simultaneous operation in a number of markets on behalf of consumer
- Simultaneous operation in market on behalf of a number of consumers (aggregating and leveraging demand)
- Full power of attorney services
- Setting the terms that providers agree to

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