



NCS Pearson response to Ofgem's consultation on
Marketing in Gas and Electricity

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March 5th , 2002
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1. Introduction

NCS Pearson is pleased to respond to Ofgem's consultation on Marketing Gas and Electricity. As an organisation which has had extensive exposure to the global Telecommunications market and the problems associated with competition (from handling over 600,000 customer switches a month), we feel we are well qualified to give an opinion and believe our experiences can be of benefit to the UK Gas and Electricity industry.

NCS supports the extension of the standard condition 48 and in this response will outline our thoughts as to the regulatory action and methods we see fit to make the licence conditions more effective.

2. Proactive rather than reactive

In many walks of life we tend to focus our thoughts as to how we can punish those who are caught breaking the rules. While appropriate deterrents are important, this does tend to lead to a more reactive approach when most people will concede that prevention is better than cure.

In our view the Gas and Electricity Industry are no exception. While condition 48 attempts to put preventative measures in place, they read almost as guidelines, with very little enforcement, phrases like 'best endeavours' and 'reasonable steps' leave things too far open to interpretation.

It is clear from Ofgem's own studies that procedures in place to meet condition 48 differ substantially from one supplier to another and that a customer's experience depends largely on the two parties involved.

At an Ofgem held workshop on improving customer transfers, Ofgem quoted that around 2% of all switches were in error, either as a result of bad selling or data issues. If in a year approximately 8 million customers changed their gas or electricity supplier and the cost of putting this right averages out at £300 (*) that's a cost to the industry of £48 Million.

This waste needs to be reduced and one way to start is by ensuring regulations actively encourage the adoption of more proactive methods of consumer protection.

(* This could be made up from administrative costs across two companies, waiver of customer bill, bad publicity, additional marketing costs required to alter the perception of those who have heard friends and relatives criticise switching).



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3. One solution does not fit all

Suppliers have many acquisition strategies, yet to some extent condition 48 attempts to force suppliers down the same route. While paragraph 4 does differentiate between customers approached and those for example who have signed up over the internet, there are specifics which could be argued actually prevent a more effective proactive solution being employed.

The main area of comment is around paragraph 4 and the limitation that a customer cannot be contacted less than 24 hours after the initial engagement in which they signed an agreement.

In a telesales environment, where a customer has agreed to take up the service, the opportunity should be there for the sales agents to conference in a non sales representative who, while on-line and through an industry standard script can perform the verification of that customers request.

This immediacy provides the customer with the necessary reassurance and also the opportunity to get rid of a pushy sales person, without having to say so direct. With this approach in the Telesales environment it is almost impossible for sales staff to force through a customer who was unaware.

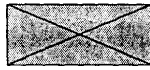
4. An Independent, centralised and standard approach

The customer switching experience should not be dependent on who they are leaving from or moving to, it should be relatively consistent. There are many processes involved in switching suppliers and our view is that wherever possible this should be centralised and standardised. This does not mean that the relative merits and differentials of individual companies should be watered down, ultimately the customer will judge a supplier on their initial offering and their after sales service.

When it comes to the requirement for contacting a customer after the agreement has been signed, a more transparent approach would be to have standard forms of communications, e.g. letter or phone script and have this performed by organisation/s who are totally independent from any Gas or Electricity supplier.

This independence or neutrality can be extended into other areas, one being the development of a standard industry sales development, training and accreditation program using a variety of media, including web based training and testing. This could be supported by a centralised administrative database which tracks all licensed sales operatives and revokes licences of those who have been found guilty of mal-practice.

Such a scheme will help raise the perception of resellers and also provide reassurances to both the suppliers who retain reseller services and consumer groups whose community are the ones at the front line.



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5. Summary

The following are the main points of NCS Pearson's response to the consultation.

- Amend paragraph 4 of condition 48 to require the said person who contacts the customer to be a representative of an organisation other than an existing gas or electricity supplier.
- Amend paragraph 4 of condition 48 to remove the phrase 'less than 24 hours'.
- Promote for discussion the concept of having a **centralised** system for the development, training and accreditation of sales representatives.
- Amend condition 48 to make it more likely that effective procedures will be put in place by all suppliers.

If you wish to contact NCS to discuss our proposals further please do not hesitate to contact us, we would welcome the chance to contribute further to the debate.

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