

**OFGEM**

**RESEARCH REPORT ON VULNERABLE CONSUMERS' ENGAGEMENT  
WITH THE ENERGY MARKET**



## RESEARCH REPORT ON VULNERABLE CONSUMERS' ENGAGEMENT WITH THE ENERGY MARKET

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**A**s part of its Consumer First initiative, Ofgem commissioned FDS International to undertake a programme of qualitative research to explore the market behaviour of vulnerable customers.

Eleven focus groups were carried out and ten depth interviews conducted with different categories of vulnerable customers, including the elderly, those with disabilities or limited English and the financially disadvantaged. We explored how vulnerable customers engaged with the energy market and examined the barriers which often prevented the vulnerable from engaging effectively. We also considered how well customers were aware, and how they were made aware of the options available to them.

Previous research commissioned by Ofgem has shown that vulnerable customers, who potentially may have the most to gain, are often less likely than other customers to switch in the energy market.

For a market to be operating effectively, consumers should feel they are able to move confidently between a number of different suppliers to take advantage of better deals or service. Pricing and other information should be easily available and comprehensible.

It is fair to say that for some individuals, the market does operate like that. These customers have the time, confidence and knowledge to research the best deals in the energy market, often through online price comparison sites, and they have found the switching process itself not to be too onerous or problematic.

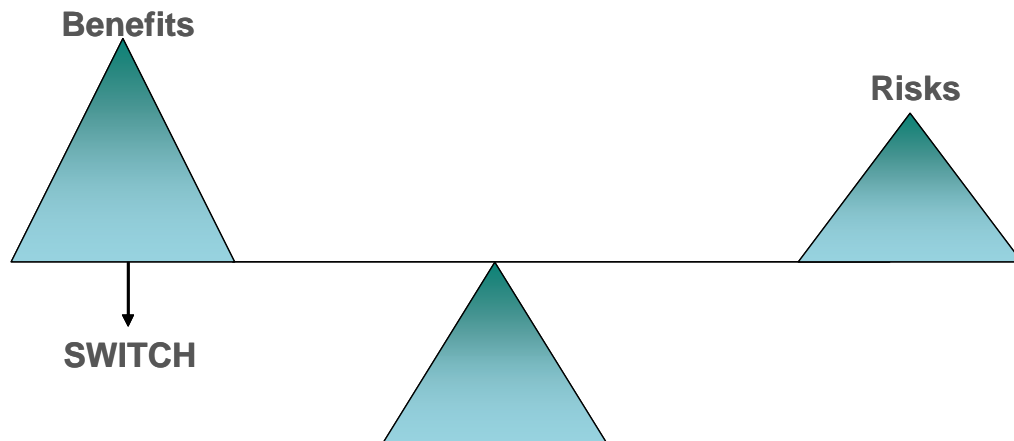
Previous FDS research for DTI, National Consumer Council and Scottish Consumer Council demonstrates most switchers found the process to be very or fairly easy.

However, individuals capable and willing of finding and switching to suppliers who offer better deals, while not uncommon among energy customers as a whole, are less common among vulnerable customers.

People are likely to switch suppliers when (as illustrated below):-

- they perceive it to be easy, or almost as easy to switch as to stay
- AND
- the expected benefits of switching are greater than the perceived risks or disbenefits.

**BALANCE MODEL FOR  
CUSTOMER ABOUT TO  
SWITCH**



However, in the energy market, people, especially vulnerable customers, may fail to change providers because:-

- they regard switching as difficult, be unaware of how to change supplier or even that they can switch
- they may be unaware of or underestimate the saving they could make through switching, and/or believe there are significant disbenefits or risks if they switch.

The barriers to switching are therefore:-

- lack of confidence in switching or knowledge of how to do so
- passivity or laziness on the part of the customers (or customer feeling they are too busy to switch), so even a small degree of effort may be too much to persuade them to change supplier
- lack of knowledge of potential savings
- belief that any savings will be short-term only
- belief that service may be poorer if one switches supplier
- loyalty to existing provider
  - sometimes based on good service/experience of incumbent but sometimes based on mistaken or naïve views of the service they might expect from a competitor
- fear that something may go wrong if they switch
  - and this fear was greater among vulnerable customers who feel less well placed to recover from incurring unexpected problems or expenses
- dislike of talking to sales reps and fear of being pressured discourages many from switching reactively in response to a rep contact.

The biggest single barrier to switching is that the customer must do something to switch – the status quo favours the existing supplier in the energy market much more so than in home or car insurance where providers are chosen annually.

Vulnerable customers struggle to obtain the best deals from the energy market, or more accurately, usually fail even to attempt to get the best deal.

They often pay bills through payment methods, most typically pre-payment meter or standard credit, which for many suppliers means they pay more for their energy than had they paid by direct debit, the payment method most likely to be favoured by more affluent customers. There are several valid reasons for many customers on pre-payment meter to prefer this method of payment, even when aware that they end up paying more than would be the case with other payment methods. However, it is concerning that a payment method favoured by many of the less well-off, including those with no bank account, works out to be more expensive than those favoured by the better-off.

Most vulnerable customers had stuck with the same method of payment for many years, and were often nervous at the prospect of making a change. Where customers had switched, some had encountered problems, for example, moving on to direct debit but going into debt as the level of payment was set too low.

Vulnerable customers were unlikely to be attracted to online billing, the substantial savings this offers being much more likely to be taken up by frequent internet users, typically more affluent customers. Vulnerable customers are less likely than others to have online access, but even those who do liked the security of paper bills and worried they might forget to go online to receive a bill or might lose online access.

We talked to a mix of people who had and had not switched energy supplier(s). Among the switchers, most had switched only once or twice, and had generally done so reactively, in response to a sales visit, rather than proactively seeking out a supplier themselves.

Many customers lack the confidence, knowledge or initiative to switch proactively ie to seek out, find, evaluate and sign up to alternative energy providers. This is particularly true of vulnerable customers. However, in the energy market, much switching is reactive, in response to contact with a salesperson.

Salespeople have played a crucial role in encouraging vulnerable customers, who would not otherwise have changed supplier to do so, usually making short term savings, at least, as a result. However, some research participants also believe that sales reps can make misleading claims in the hope of clinching deals, and browbeat some customers into signing up. The persistence of sales reps has led to sizeable numbers of those surveyed, including the elderly, single mothers and those with limited English, refusing to speak to them, so a potential source of information is lost. With few vulnerable customers investigating the energy market themselves, those who refuse to speak to salespeople are unlikely to switch.

Vulnerable customers tend to underestimate the potential savings available to them through changing payment method or supplier. When they were shown energywatch price comparison sheets in the groups, many found these very helpful in indicating the savings that could be made, and some were stimulated to consider switching, and one in seven of those we recontacted a few weeks after their group had done so.

However, some financially poor, but not obviously time poor customers, declared themselves to be too lazy to switch for what seemed to be sizeable savings for someone of limited means. In the discussion some argued themselves out of saving, say £80 a year, on the basis this was equivalent to less than £2 a week or £10 a month.

Laziness is an important factor here, (although it may be unfair to label busy people such as parents with young children as lazy if they give low priority to switching suppliers). But reluctance to switch is also a reflection of the widespread belief, sometimes based on experience, that switching is a major hassle and that things could go wrong. In particular, vulnerable customers were concerned that they might be billed twice for the same energy, from both their old and new supplier.

Indeed, several of those who had switched providers reported problems, such as receiving bills from both suppliers. Some were aware there had been issues when they changed supplier and were vague or unsure as to whether they had ended up paying the right amount.

Sizeable numbers of those surveyed had heard of relatives or friends who had encountered problems through changing suppliers, and these problems had sometimes dragged on for a while.

There were also instances of customers suddenly finding they had an unexpected debt to clear from their previous supplier when they switched.

While switching is straightforward in most instances, (and many of those who had switched reported no problems) there are still occasions where problems occur, and where people hear of these through word of mouth or media coverage, their doubts about switching are magnified.

The elderly customers surveyed, those in more remote areas, and those with disabilities or limited English were often reasonably satisfied with their energy supplier, even if unsure whether they were getting the best deal. Other groups, such as renters and low income households tended to be more critical, and across the groups there were some reports of sharp sales practices (such as claiming customers had signed up for a new supplier when the customer denied it) or poor service/billing errors by companies.

On the one hand people do change energy suppliers, especially in response to price changes, but the most vulnerable are less likely to change and to feel confident doing so.

Information on prices is freely available, but it is more likely to be seen and understood by those with internet access (who tend to be more educated and affluent), rather than by financially disadvantaged vulnerable customers.

Within the various categories of vulnerable customers there were recurring themes, so an elderly non-switcher may have much in common with a single mother or someone with limited English.

However, we did identify a number of attitudinal/behavioural segments among non-switchers.

Elderly customers for example were especially likely to be happy and comfortable doing what they have done paying their supplier by the means they have used for years. They know they can manage in this way and prefer to continue rather than seek uncertain savings elsewhere.

As well as these *'Older-Happy as they are'* customers are *'Change Adverse'* customers who are of any age group but similarly unwilling to consider changes.

*'Uninterested'* customers share similar characteristics and often have low energy bills or live in temporary rented accommodation so saving money through changing energy supplier is an extremely low priority for them.

*'Loyalists'* may have positive reasons for staying with their existing supplier who has provided excellent service. However, some in this category mistakenly believe their supplier has unique virtues, for example a couple of single mothers worried they would receive lower priority in the event of gas leaks or gas supply interruptions if they were to switch away from British Gas.

The segments described above are very unlikely to switch. Slightly better prospects are offered by the following three segments, each of whom is at least likely to be aware of the potential benefits of switching:-

- *'Under confident and nervous'* worry about risks associated with switching
- *'Overwhelmed'* customers may also worry – and may worry about switching to the 'wrong' supplier

Both segments are likely to be more willing to explore options than those who, often on their own admissions are *'Too lazy/indolent to bother'*.

However, some customers in these three segments might be willing to switch if they could be persuaded the process was simple and hassle-free and the benefits reasonably certain.

In contrast, customers in the *'Unable to switch'* segment believed they could not switch, typically because they owed money to their current provider, and had to (or believed they had to) pay this off before they could switch to a different one.

For the energy market to operate more effectively in the interests of vulnerable customers:-

- salespeople must operate ethically and within accepted codes of practice, but they should not be otherwise discouraged as their role is crucial given the passivity of many customers
- energy companies must ensure the switching process itself is problem-free with regulators coming down very hard on companies that perform poorly in this regard
- easy to understand pricing information should be available through a variety of channels.
- Groups such as Age Concern, CAB and community groups can play a role in informing vulnerable customers of the options open to them.

**Stephen Link**  
Director

March 2008



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## 1 BACKGROUND

Ofgem has a statutory duty to protect the interests of all gas and electricity customers, but in particular those who are classed as vulnerable and at risk of fuel poverty. Ofgem has a *“statutory obligation to protect the interests of certain vulnerable customers and contribute to the Government’s targets to eliminate fuel poverty.”*

The vulnerable groups that Ofgem has a statutory responsibility to have regard to the interests of are *those who are disabled or chronically sick, of pensionable age, on low income or residing in rural areas*. However Ofgem recognises that there is a range of different conditions which may impact on a customer’s ability to engage with the energy market, and that the term ‘vulnerable’ covers many groups including those who:-

- are disabled/chronically sick
- are of pensionable age
- are on a low or fixed income
- live in rented accommodation
- live in rural areas
- have low levels of literacy and numeracy
- have limited or no English.

For customers to be able to take advantage of savings available to them in the energy market, and reduce their bills, they should be able to exercise their choice and switch supplier and/or payment method to secure the best deal for themselves.

However, vulnerable customers are more likely to choose or be obliged to use methods of payment, in particular pre-payment meters or standard credit, that can cause them to pay more for their gas and electricity than those paying by direct debit, the method more likely to be favoured by energy customers as a whole, especially the more affluent.

Furthermore, historically levels of switching supplier have been lowest amongst these less affluent and more disadvantaged groups, and research has consistently shown that it is the higher social grades (ABC1 and C2s) who are more likely to take full advantage of the gains to be made from switching supplier<sup>1</sup>.

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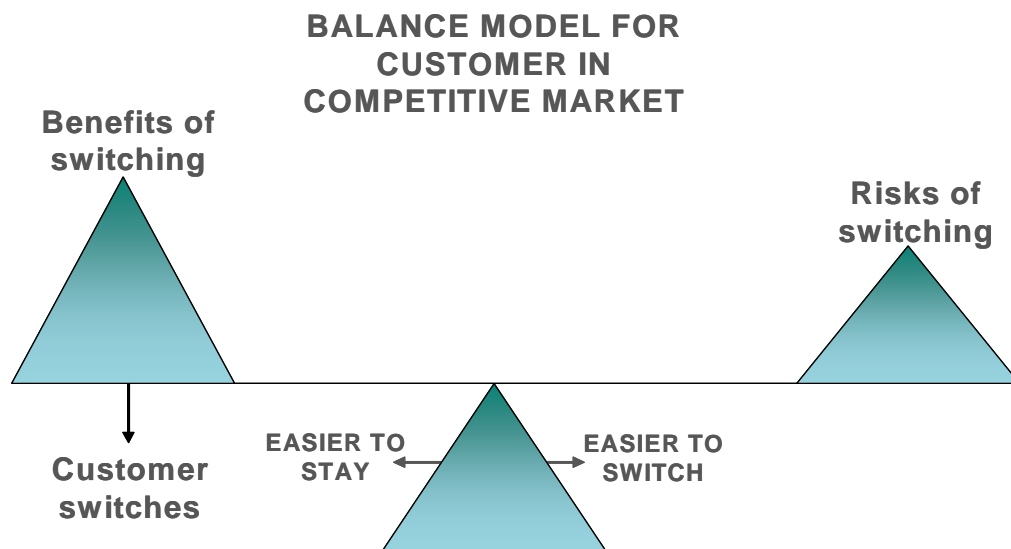
<sup>1</sup> Examples of such studies include:-

- Department for Trade and Industry/FDS: Research on Switching Suppliers (2000)
- National Consumer Council/FDS: 2005 Switching Survey
- Scottish Consumer Council/FDS: 2007 Switching Survey
- Domestic Retail Market Report: June 2005 (Ofgem)

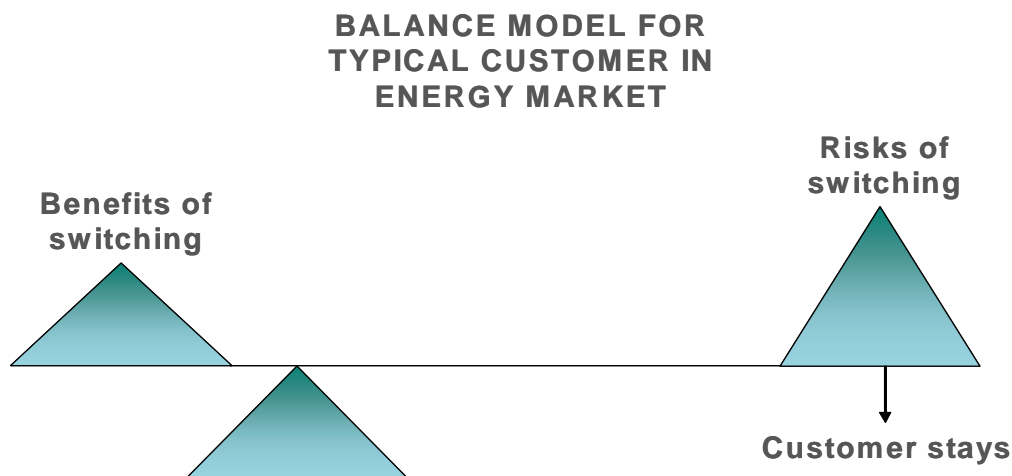
As a result of previous research (conducted for DTI to investigate triggers and barriers to switching supplier across a number of different markets), we were able to develop a model which showed that each individual's propensity to switch in a market is determined by three factors:-

- the ease (or perceived ease) of switching
- the likely benefits of switching
- the perceived risks associated with switching.

We demonstrate later in this report (Section 8) how this balance model works for the different groups of vulnerable customers identified in this project, but in essence the impact of the model is that if it is as easy to switch or not switch, people will switch if the benefits outweigh the risks.



If however it is thought that it is easier to stay than to switch, and this is a widely held belief in the energy market, then the benefits must greatly outweigh the risks for people to switch.



For customers to decide to switch supplier, and to do so successfully, a number of conditions must be met:-

- customers must be aware of the option to switch. This implies that they have knowledge and understanding of the way the energy market works, but this is not necessarily the case with the vulnerable. Some elderly customers may be out of touch with recent changes in the energy market, and some with limited English may be unaware of their options. Those with low levels of literacy and numeracy are also likely to struggle to understand the relevant information
- customers must believe that the ability to switch exists for them, and that they are not part of a market segment which may be discriminated against by suppliers, because of their payment method. If it is not possible for them to switch via an internet price comparison site, or if they believe other companies do not want to accept them as customers, this is a big barrier
- in addition to customers believing their payment method allows them to switch, there is the added question of their acceptability to a potential new supplier in terms of whether they are financially 'included'; in other words do they have
  - a bank account with a direct debit facility
  - no debt to their existing supplier nor a poor credit history
- they must know how to switch. In other words, the process must be clear enough for them to believe it will be easy.

- customers must be convinced of the benefits of switching, In particular they must believe they will save money or possibly obtain better service, but this is usually a secondary consideration as a result of the move. In order to make such a decision, pricing information on which to base switching decisions must be easily available, easy to access and very clear. Currently the internet is arguably the best source of information which people can use to make switching decisions, and is the route to achieve the best deals, but many of these vulnerable groups are the least likely to be internet users
- equally, they must believe that switching will not bring disbenefits such as poorer service than that which they currently receive
- finally customers must be convinced that the switching process is not itself difficult and that they are unlikely to encounter many hassles during or following their switch, with many vulnerable customers and others aware of stories of problems caused by poor selling methods, and concerned about the possibility of receiving bills from their old AND new provider.

Previous research for DTI suggested vulnerable customers are less likely than others to be aware of how much they could save through switching (ie they were less likely to make major savings), have the confidence and organisational ability to proactively make a switch. It has also been shown in many studies that vulnerable customers are more likely to favour routines of payment method which, while helping them budget, may result in them paying more than they need to.

As part of its Consumer First Programme Ofgem was keen to gain a better understanding of vulnerable customers and the issues they face in engaging in the competitive energy market, Ofgem therefore commissioned FDS to undertake a large scale qualitative project aimed at exploring switching barriers and triggers among a range of vulnerable customer groups, and to understand more clearly what would help to remove or overcome these barriers.

This report presents the detailed findings of this research.

## 2 OBJECTIVES

The overall purpose of this research was to give Ofgem a better understanding of the way in which vulnerable customers engage in the energy market.

Specifically the objectives were:-

- to gain greater knowledge of barriers which prevent different vulnerable groups engaging in the energy market
- to understand how these barriers could be removed or overcome
- to identify the triggers that lead to vulnerable customers switching.

In addition the research was designed to investigate:-

- what would make the switching process easier
- whether people believe they are on the best deal, and how do they know this
- levels of awareness that it is possible to switch supplier and/or payment method
- sources of information to help in the switching process.

### 3 APPROACH

Our research programme was planned to ensure that we included all the different categories of vulnerable customers referred to in the introduction but also that the most appropriate methodology was used for each sector. We therefore carried out a mix of focus groups and individual depth interviews.

In designing the research we took note of the following:-

- it was important that this research was conducted in different geographical areas of Britain, and in both urban and rural locations as this can have an effect on consumer behaviour and supplier activity. For example doorstep sales people tend to concentrate their efforts on urban areas, and some rural areas see very few such salespeople
- whilst many in these vulnerable categories do not switch supplier, some vulnerable customers do, so it was judged to be important that the sample included both non-switchers and switchers. Furthermore, we made a positive decision that some groups should include a mix of switchers and non-switchers in order to provide stimulating discussion.

It was thought that depth interviews were more appropriate than focus groups for:-

- people without bank accounts, who might not wish to discuss their financial situation in front of others, and who due to low incidence might anyway be too scattered geographically to make recruitment for a focus group easy in a tight timetable
- people with particular requirements such as hearing/sight impairment, or a medical condition which results in them being dependent on an uninterrupted fuel supply.

For all other groups defined as vulnerable, focus groups were deemed to be the most appropriate approach, and the one likely to produce the most valuable findings.

Included in these categories are people with limited or even virtually no English. Two focus groups were arranged as follows:-

- one group in London with Polish residents, some with reasonable English and some with a very limited command of the language. A professional Polish interpreter translated where necessary.

- The second such group was in Birmingham with Asians who had very limited English. This group was moderated primarily in Hindi by an experienced moderator who is herself Indian and speaks a number of the most common languages from the sub-continent.
- In order to ensure that we represented views of people living away from urban areas we organised three groups to take place in relatively rural areas, and one group in a very remote area in Stornoway on the Isle of Lewis.

In total between January 31 and February 25 2008 FDS undertook a programme consisting of 11 focus groups and 10 depth interviews as follows:

Description	Focus Groups		
	Switcher/Non	Urban/Rural	Location
Low literacy/numeracy	Not switched	Urban	Leeds
Renters	Not switched	Urban	Newcastle
Low income single parents	Not switched	Urban	Edgware
Older people 75+	Not switched	Urban	Glasgow
Low income households	Switched	Urban	Newcastle
Renters	Switched	Rural	South Wales
Older people 75+	Mix	Rural	Surrey
Low income households	Mix	Rural	Staffordshire
General sample	Mix	Very remote	Stornoway
Polish	Mix	Urban	London
Asians with limited English	Mix	Urban	West Midlands

Description	Depth Interviews	
	Switcher/Non	Urban/Rural
Disabled BLIND	Switched	Urban
Disabled BLIND	Switched	Urban
Disabled RELIANT	Not switched	Urban
Disabled RELIANT	Not switched	Urban
Disabled DEAF	Not switched	Rural
Disabled DEAF	Not switched	Rural
No Bank Account	Not switched	Rural
No Bank Account	Switched	Rural
No Bank Account	Switched	Urban
No Bank Account	Switched	Urban



Focus groups lasted on average for an hour and a half, and depth interviews for up to an hour.

Some groups (4) consisted purely of non-switchers, and some (2) only of switchers, including some who had switched only recently, and could easily recall the process, and others who switched some time ago, and were therefore able to comment on the perceived benefits of their switch.

The remaining groups consisted of a mix of switchers and non-switchers.

The depth interviewees were recruited to be either switchers or non-switchers, but this process highlighted a degree of confusion with one or two people uncertain and confused about whether they had or had not switched or only remembering during their depth interview that they had switched on one occasion several years ago. Typical of comments made were:-

*“I can’t remember if I did switch – it was long ago.”*

Company name changes and amalgamations had led to some people being confused. Some elderly participants had relied on family to look after the switching for them and, as a result, were understandably hazy about the results.

In many of the groups, as part of the discussion, stimulus material, in the form of energywatch price comparison data, was shown. In addition, the groups which contained a good number of internet users, were shown a printout from an internet price comparison site, which showed possible savings for a cash/cheque payer in their area with a typical bill.

## 4 SWITCHING BEHAVIOUR

In open free and competitive markets, customers may move freely between suppliers, confident that they can switch to take advantage of lower prices or better service, without incurring any adverse consequences as a result of switching. As an energy supply switcher in Stornoway observed:

*“You don’t notice that you’ve changed over, when I did it you don’t notice and there’s no interruption to your supply. You just get a bill from your supplier, you then pay that off and then it just carries on.”*

But it is clear that the energy market does not always operate in this way – or at least it does not do so for some vulnerable customers who are most likely to be financially poor and to potentially benefit most from switching.

However, people do switch, and the increases in numbers changing suppliers following price rises could be argued to indicate that the market is working quite well, with customers switching away from suppliers who are perceived to be expensive.

Indeed, in our qualitative sample we deliberately recruited people who had switched, and finding switchers was not especially problematic, even among vulnerable customers. What was a little more difficult in some cases was getting individuals to state with certainty whether or not they had switched.

A few, particularly among the oldest age groups and disabled customers could not initially recall changing, but thought they must have switched when prompted in the group/interview to remember a long-forgotten change made several years earlier.

Company name changes or amalgamations had confused some – especially the elderly. And sometimes family members helped them to make a switch and in these circumstances elderly customers were especially likely to have forgotten the details.

However, many participants had very clear and detailed recollections of what prompted them to switch, why they switched and what happened when they did so.

Some had switched suppliers only once, or maybe twice, but some had done so on several occasions.

While we found relatively few serial switchers they nevertheless fell into three distinct categories:-

- confident – checking out better deals (PROACTIVE)
- those switching in response to particular issues (such as poor service) (PROACTIVE in the sense they have sought out alternative suppliers)
- those changing repeatedly in response to sales visits (REACTIVE).

Each of these types of switcher, especially the first, is likely to be greatly underrepresented among vulnerable customers. The demographic and behaviour profile of proactive switchers (the first two segments) is almost a mirror image of the most vulnerable customers in that in previous studies proactive switchers have tended to be:-

- younger than average (certainly not elderly)
- more likely to come from social grades ABC1
- Internet users
- and to feel confident they can save themselves money.

Nevertheless, within our sample, a low income male in Newcastle met the classic profile of switchers who proactively seek out a better deal. He:-

- was aware benefits of switching outweighed likely risks
- was internet savvy and willing and able to use the internet to seek a supplier offering lower prices (and this applied in other markets as well as energy)
- reviewed his outgoings regularly
- had no major worries about the switching process itself having switched energy supplier eight times in the last 12 years or so.

This type of switcher is the most proactive because they do not wait for their current supplier to let them down or for a call or visit from a competitor. They will seek out better deals, sometimes following a price rise from their own supplier, but at other times simply because they expect to make savings.

A Jamaican woman with no bank account provided a classic case of a customer who sought out competitors to switch to, but only after problems with the incumbent supplier. In her case, the problems were usually service/billing problems rather than pricing issues. She relied on her own knowledge of competitors, rather than the internet, when switching suppliers. Again, because they are likely to feel less confident switching, or to know who to switch to, this kind of switcher was rare among vulnerable customers.

Other participants were aware of people who did switch suppliers regularly, some implying a grudging admiration while admitting they were too lazy to do likewise. But some respondents were rather scathing of frequent switchers suggesting they were bored people with time on their hands who probably did not achieve long-term savings.

One of the most concerning aspects of this study was that some people switched actively in other markets, such as insurance (where they were obliged to review/renew their product annually), but without feeling a positive loyalty to their energy supplier, did not switch in this market.

Savings achievable through obtaining different quotes for car insurance were often felt to be substantial:

*"On car insurance I can save at least £250-300 by shopping around."* (Low income male)

*"It's more in front of you. When you're doing your insurance quote that's how much you'll pay but you don't know how much electric you're going to use."* (Low income female)

In insurance it is also felt to be easier to compare companies on a like-for-like basis whereas some struggle to understand the claims of energy sales reps regarding possible savings. One elderly woman described how she had been put off from switching energy providers by pushy sales reps but had switched her landline from BT to Post Office.

While in other markets, such as finance/insurance, customers switch proactively, in the energy market, switching has, historically at least, tended to be reactive, in response to a customer talking to a sales rep who visits their home.

The proactive switchers described above are far more likely to be found among the general population, than among vulnerable customers. This is also true for reactive switchers but nothing like to the same extent. (The 2005 National Consumer Council Switching Survey shows how in markets such as energy and telecoms lower social grades tend to switch reactively rather than proactively).

Some classes of vulnerable customers, including the elderly, and arguably single mothers and those on low incomes, are more likely than other customers to be at home when salespeople call. Customers in C2DE households (manual occupations) are generally a little more likely to be willing to talk to sales reps than ABC1s (people in non-manual occupations), and some salespeople are more likely to target C2DE areas. Switching levels among non-vulnerable C2DEs are often on a par with, and sometimes higher than ABC1s. However, the more vulnerable C2DEs are still less likely to even contemplate switching.

A classic example of a frequent reactive switcher was a Polish woman who hoped to save money, and appeared to find it easier to say 'yes' than 'no' when salespeople came knocking. Her fellow Poles were far too polite to criticise her, but this kind of reactive switching was seen by some participants in other groups to be a sign of weakness and indecision.

Again, it must be stressed that frequent switchers were a very small minority in this research. The majority of the switchers we set out to recruit had only changed supplier once or twice.

As with the frequent switchers, they were split between those who had proactively sought the best deal (relatively rare for one-off switchers), and people who had sought another supplier because of dissatisfaction with their existing supplier, possibly related to prices charged, but as likely to be a service or billing issue.

The third type of switcher is again the reactive switcher who changes supplier in response to talking to a salesperson. Often, as respondents guessed, a salesperson might catch a customer at the right time, following a price rise or a problem with their existing supplier. In these cases, the customer may lack the confidence or knowledge to switch proactively but be very receptive to a salesperson's visit.

In other cases a customer may sign up to get rid of a pushy salesperson, though very few admitted to doing this themselves. More typically, they might sign up having found a salesperson who they thought was not too pushy. For example, an elderly Surrey man recalled having a pleasant chat with a rep one summer afternoon and being gently persuaded to switch.

For a rep to persuade a customer it will be worth their while to switch they will typically need to convince their target that:-

- there will be significant savings, and that these will not just be very short-term
- the switching process itself will be smooth and problem-free
- the new supplier will provide good or comparable levels of service.

Where a rep is able to convince a customer in this way, the balance model as it applies to that customer may change completely to become more akin to that of a regular proactive switcher:-

- they regard switching supplier as only slightly more awkward than staying
- they believe they will gain considerably through switching
- with minimal risk of things going wrong.

Having switched once reactively and found the process problem-free, a customer may then have the confidence to switch again, and possibly to do so proactively. The increase in the level of switching following price rises over the last two years certainly suggests this will be the case, but we did not find many vulnerable customers who appeared to have been inspired by one positive and simple experience to switch repeatedly.

In some cases, this was for apparently good reasons. Some one-off switchers declared themselves to be very satisfied with the switch and with their new provider, and had not felt motivated to switch again.

However, we found many instances of customers who were disappointed not to have made long-term savings as a result of switching, and so were disinclined to switch again. For example, one elderly man switched three times between two companies only to find any savings were short-term as they put their prices up soon after he signed up to them:-

*“All you do know is that you can't trust any of them – that's my feeling. You get bombarded with all sorts of nonsense.”*

A few including this Asian man with limited English encountered immediate disappointment after switching:-

*"I had a rep at the door. He spent nearly an hour explaining everything this company had to offer. At the time I thought it was good, so I switched. Little did I know that I had been conned for £80 which was their transfer fee. I rang up the company to complain but I was told that I couldn't do anything because I had signed the contract."*

An Asian man explained that he switched to a company offering a good discount:-

*"But later it went up again, so I am thinking of changing back again."*

A woman in the low income Newcastle group complained:-

*"The big disappointment is when you switch to find out that you haven't saved and they were actually dearer."*

We also found many instances of switchers finding the process to be a hassle, and very reluctant to go through the process again. In some cases this was because something had gone wrong (for example, the previous supplier continuing to demand payment) but in others it was simply felt to be drawn-out and requiring too much effort.

Difficulties or disappointments encountered by those changing provider could be a problem from the point of the market operating effectively because switchers with negative experiences are likely to be deterred from switching again, and they may put off others from switching too.

On the other hand, some, such as this Newcastle woman with no bank account, had failed to switch despite hearing positive stories:-

*"Just a few people in general, friends and things have changed over to this or changed over to that and it just sounds easy."*

## 5 BARRIERS TO SWITCHING

Perceptions involved in determining an individual's likelihood of switching are:-

- 1) Ease of switching:
  - a) Awareness one can switch and how
  - b) How easy it is to switch versus how easy it is to stay with an existing supplier
- 2) The size of the perceived benefit (usually financial) to be achieved through switching
- 3) Perceived risk of switching:
  - a) Problems expected after switching, such as poorer service or price increases from new supplier
  - b) Size of risk or danger of adverse consequences as a result of the switching process itself.

Major barriers to switching therefore centre around:-

- perceived or actual lack of opportunity to switch or perception that switching will be very difficult
- lack of motivation to switch as perceived benefit thought to be too small relative to effort of switching
- fear that something could go wrong when or after they switch.

We found very few people who believed they could not switch, and these beliefs were due to geography (a Stornoway man believing other suppliers would not service such a remote location) or to customers in debt believing they had to clear their debt with their existing supplier before being allowed to move.

The need to clear debt with a previous supplier appears to be a grey area as a low income. Staffordshire woman reporting switching to direct debit with a new provider when she was unable to pay a quarterly bill from her previous supplier.

As the vast majority of vulnerable customers are aware they can switch, a somewhat bigger problem is that some are not sure how to switch supplier, and this is likely to be a particular problem for elderly vulnerable customers who may be unsure how to switch and to whom.

Without the activities of door-to-door salespeople only a fraction of those who have benefited from switching would have done so. Some customers, eager to make savings, are very happy to talk to sales reps, but very unlikely to research the market themselves this is not to condone the activities of unscrupulous salespeople but to recognise the legitimate role of reps in making the market more competitive. However, reps can only persuade those people who let them talk to them. Many customers, including vulnerable customers, refuse to speak to sales reps so do not learn of the potential savings they could make. Vulnerable customers are less likely than others to learn about savings from other sources so mistrust of sales reps and refusing to listen to them will dampen down potential levels of switching among the vulnerable:-

*“They just boggle your head and they’re constantly on all he changes and everything and you haven’t got a clue what they’re saying so you just say go away.” (Low income female)*

Another major barrier to switching is that it is thought by many to be a hassle. This view was held very strongly by some, such as individuals in the Polish and Asian groups, who had already switched once or twice.

For example, a Pole who decided to switch his electricity supply in order to have both gas and electricity supplied by a single provider found problems with the payments, and he was billed by his previous and new supplier for a while.

Asians complained of the switching process being long and drawn out and not something they were keen to repeat.

An Asian with limited English reported being surprised to discover they had had to pay an £80 transfer fee when switching provider and signing a contract when a rep visited.

Some non-switchers had formed a view through talking to those who had switched that the process was a hassle and/or that problems could result.

Some found it difficult to get through to energy companies on the phone and a low literacy Leeds male thought it would be much more difficult to change energy provider than bank account:-

*“You can go into a bank that you’re not with, tell them you want to join it and they can do everything from your bank straight up to them, direct debits, you don’t have to sit on the phone for three hours going no, no this is what I said an hour ago.”*

It was also interesting to see how people’s views of switching changed as a result of the actual focus group discussions, with some people feeling switching was easier than expected, others thinking it was a bigger hassle. So much depends on what an individual is willing to go through. Vulnerable customers in general may expend more effort and anxiety in switching than non-vulnerable customers, effectively incurring a greater (non-financial) cost through switching or investigating switching.



Another major barrier to switching, which affects many customers, including vulnerable customers, is that the customer is too lazy or not interested in switching. This implies that switching involves a degree of effort, since if it was very easy, even lazy or very time-poor people would do it. This is absolutely true, but laziness or the extent to which people will tolerate a degree of hassle, varies enormously across individuals. The difficulty here is to get such customers sufficiently motivated to switch, while minimising the effort involved.

Some customers have little inclination to spend limited free time seeking cheap energy deals. The comment made by this Stornoway woman might be echoed by many energy customers, not just those who are vulnerable:

*“I’ve got 3 kids under 5 so when I’ve got 5 minutes peace I don’t think oh I’m going on the internet now and I think I’ll change my electricity whatever, it’s sit down with a glass of wine and watch Eastenders.”*

Some customers are insufficiently motivated to work out what they could save by switching so in this case the perceived benefit may be too small to make switching of interest.

Some customers, especially some living in very compact rented accommodation, may believe their energy bills are too small to offer much potential for saving.

Perhaps, most crucially of all, many believe savings will be very short-term and that suppliers' prices are likely to converge very quickly. If one supplier changes its prices, others are expected to follow suit. As a man in the low literacy Leeds group explained:-

*“They’re just an enticement to change companies and then you’ve changed companies and you’ve been with them another month and you’re back to square one.”*

A Stornoway respondent, commented that energy companies were raising their prices by 12-18% and observed:

*“You think right well until they’ve all sort of levelled off there’s no point in looking just now. While it’s in a state of flux I’m just sitting back and watching.”*

In addition to being concerned that a new supplier may raise its prices some were concerned it may provide poorer service, so the potential financial benefits of switching may be counterbalanced by a perceived risk.

In some cases customers had a positive loyalty to a company that had provided very good service over the years. In such instances, consumers were concerned they would not get such good service from an alternative supplier, so this was seen to be a risk of switching.

On occasions, however, this loyalty was misguided. For example, a couple of single mothers were worried that if they left British Gas they might suffer by being made a lower priority if there was a gas leak or interruption in supply.

Finally a major reason for not switching is the fear of problems arising from the change. A few had experienced, and many had heard of problems such as receiving bills from new and old provider and this was a major disincentive to switching, especially for vulnerable customers, who felt unable to cope emotionally or financially with things going wrong. A low income Staffordshire man expressed the concern of many vulnerable customers that problems could be long and drawn-out, and that they would struggle to get back on an even keel:-

*“When they make a mistake it doesn’t go away in a couple or three weeks, they drag it out and you just don’t want to keep fighting for 12 months.”*

A recurring theme in this study is that if things go wrong for a low income vulnerable customer, such as facing a higher than expected bill, it can take a lot of time, effort and worry for them to put things right (by paying off a debt).

They regard themselves as poorly placed to recover quickly from unexpected problems and this encourages a conservative attitude and helps to explain the reluctance of many to change supplier or payment method when they seem to be managing as they are.

Vulnerable customers were also irritated by the prospect of having to pay for lengthy calls to put right problems caused by their old or new suppliers.

In most cases, the barriers outlined above had stopped people from seriously considering switching. But across the groups we found instances where people had contemplated switching more seriously before withdrawing. In some cases this investigation simply consisted of talking to sales reps before deciding against switching because the expected savings could not justify the anticipated hassle.

Others had more proactively checked out price comparison sites, with one Pole deciding against switching when he discovered his supplier was one of the cheapest.

One elderly customer reported being close to signing to a new supplier only to learn in the press that that supplier was about to raise its prices. The customer withdrew at this point.

In the low literacy group, one woman explained how she would contemplate switching whenever her provider let her down, but would then not go through with it, and would forget about switching until she was let down again.

A man in the low income Newcastle group had switched supplier but had also cancelled when he changed his mind after signing up. He found changing his mind a hassle as he had to put this in writing:

*“I’ve been in that position where if you cancel within 28 days, they want it written in letters and they want everything else done. You telephone them up and they say you’ve got to send a letter. I feel like saying, by the time it gets there the 28 days will be up.”*

## 6 PAYMENT METHOD

**W**hilst the main emphasis of the discussion in this research was about switching supplier, another option for consumers to save money can be to switch payment method, whilst still remaining with the same energy supplier.

There is a good deal of attention being given at the moment to the gains that people can make by switching away from the more expensive methods of payments and tariffs to the cheapest. Currently it is generally the poorest customers who are paying the most for their gas and electricity. Tariffs for pre payment meters and standard credit are often significantly higher than the alternatives.

However, we found few examples in this project of people switching payment method in order to take advantage of these possible savings. Those who had switched from pre-payment meter onto direct debit were as likely to have made the switch because they thought direct debit would be more convenient or that it would enable them to pay equal amounts each month, rather than paying more in winter. A high number of participants were on pre-payment meters, and most, but not all, were aware that they were paying more for that method than they would be if, say, they paid by direct debit. They were not generally aware, however, how much of a premium they were paying.

A woman in the Stornoway group was quite unusual in planning to switch away from a pre-payment meter, largely motivated by the prospect of cost savings:-

*“My gas at the moment is on a token meter and I’m changing it to a bill you can pay by direct debit because I’ve noticed it’s cheaper and easier. I hate token meters. I had them for so long and I hate them with a passion. I had one in the last house; in some respects I found it easier, but you pay a higher tariff.”*

In contrast another woman in the same group was unconcerned at paying more:-

*“I’m not bothered in the slightest that I’m paying more, it just doesn’t bother me, I’d gladly pay more if I knew that I was paying for what I was using.”*

FDS has a good deal of experience of conducting research amongst pre-payment customers and the same arguments are always put forward for people sticking with this payment method. This project was no different. There are certain categories of people who regard this (often with justification) as the best method for them, despite the expense – it is just a price some are prepared to pay or accept that they have to pay:-

- some people have trouble managing their money and their outgoings, and by using pre-payment meters to pay for their fuel, they have some sort of control. They may use Pay as You Go mobile phones or payphones to control their costs. Using pre-payment energy meters helps them to budget and there is no danger of them overdrawing or building up a debt. Some are good at juggling their money so they pay things when they have the money
- others, who may actually be quite good at budgeting, also like this payment method as they always know where they are and can set aside money to pay for all their essentials. They like the fact that they will not receive an unexpected bill.

*“I don’t like a big bill coming through that I don’t have the money to pay for it – that’s what’s stressful.” (Low Income)*

*“You know exactly what you are paying out at the end of the day / end of the week.” (Renter)*

*“If you’re on a token meter you pay more – you pay for your meter plus your usage – but I mean obviously if that suits you then you’re willing to pay that little bit more aren’t you.” (Low literacy/numeracy)*

*“I have so much set aside – like my electric I use £10 a fortnight and the same for my gas – it is just easier.” (Renter)*

- another reason for liking their meter was given in Wales, where nearly all were customers of SWALEC, and most had a meter, and received regular payments from SWALEC. They explained that their understanding was that if they put £10 on their meter and if there was already £2 on it, that £2 was stored for them and given back as a bonus at the end of the year – ideally at Christmas time
- some have always paid this way and just do not like change. They have a routine in their lives and this may well involve a trip to the Post Office to pay for their fuel. This is what they have always done and they have no desire to change; this way of paying for things fits into their lifestyle

*“(My energy company) tried to change it to direct debit but I just find it easier to nip to the shop and get it.” (Low Income)*

*“I go to the Post Office anyway to get the pension, so why change it.” (Renter)*

- amongst these vulnerable customers some without bank accounts used PPMs and of course for them the savings to be achieved through direct debit were not an option
- if people are paid in cash or are paid weekly, then monthly direct debit systems are unlikely to be for them

*“It’s basically.... You’ve got to run around to try and scrape it together. We pay the same sort of amount each week because we get paid weekly.” (Low income)*

- some have built up a debt which they pay off through their meter, or alternatively they have a bill which they cannot pay and have a meter installed in order to pay it off through their meter payments

*“I had a big bill come through my door and I decided to have it switched to a meter because I found it easier just to put £10 on a card - just use it as I go.” (Low income)*

We came across examples of people who had been keen to have a meter installed, but had been refused one by their energy supplier. They had therefore deliberately defaulted on their payments, in order to have a meter put in, as for them this was the best method. One said that the only way they got a meter was by saying that they refused to pay their bill.

Whilst people may be aware that they are paying more than others and are prepared to do so, that does not mean they are happy about the situation

In the Leeds Low literacy group some thought suppliers were reluctant to move people off meters and one woman complained that she thought she would have to pay to switch from pre-payment meter to another method:-

*"I wouldn't want to pay to have my token meter taken out. I mean that token meter were in the house when I moved in so why should I have to pay for it to be taken out? If I want a normal meter what they come and read and like the gas you usually just pay monthly at the post office I should be able to have that."*

A number of respondents in this group had found pre-payment meters inconvenient at times:-

*"my electric, since we went on the plastic key, before we'd get a normal token and put them in, then they changed our plastic key, you need the key to activate the emergency money so if I take it to work and my husband comes home early and it's run out he has to come down to work to get the key to activate it whereas with the other meters you could just use your card any time you wanted to."*

Where there were examples in the research of people who had changed their payment method, this was often at the same time as they had switched supplier; one, for example, had switched supplier and had decided to move to direct debit at the same time:-

*"I just thought we'd change and see if we could get it cheaper elsewhere – and then go direct debit."* (Low income)

In contrast to the views and experiences of the Leeds group, others talked of being persuaded to change to direct debit by an energy company, the main argument being that they would save money. Those who had changed were generally people who were confident that they could manage their banking sufficiently well not to get into trouble and were quite happy to be paying this way. There were one or two examples of people who paid for one fuel by direct debit and another on a meter; when asked why, the answer was generally inertia – they just had not got round to switching the other one. It would require them to take some action, such as contacting their utility company, something which many do not enjoy. One, for example, said that she paid by direct debit for her gas but that her electricity was on a key meter. It was like that when she moved in, so she just left it. She might consider switching her electricity to direct debit but only were she convinced that the savings would be sufficient to compensate for the effort involved, and she was not sure they would be.

Some customers had switched to direct debit and found it easier to manage, regardless of the price differential. As a low income Staffordshire woman reported:-

*"I had a big bill come through the door so we decided to go direct debit because we couldn't afford to pay it so we went direct debit and then I know we pay it monthly which is better."*

There will always be a few people who object to using direct debit as they do not like money being taken from their bank account, they fear the loss of control and they do not like the idea of paying for something in advance. One such person – in the 75+ group in Surrey – was adamant that he would not pay for his fuel by direct debit, preferring to stick to paying quarterly by cheque. However when he looked at the energywatch chart which suggested that he was paying £112 a year more than he would with direct debit, he saw the sense in at least considering a change.

Others object to direct debit because they worry that it will cause them problems. Their concerns are generally that two payments will be taken instead of one, or that a payment will be taken early and that the funds will not be there to pay for it. These concerns are not limited to fuel payments but they are the main worries that people express about direct debit:-

*“If you are living from week to week and they take it early because of a Bank Holiday, then you get those bank charges.” (Low literacy /numeracy)*

People still quote stories they have heard about things going wrong when a switch is made to a different supplier and both companies take direct debit payments, and then difficulties arise in sorting out the mess. One person in the Newcastle renters group recalled that she used to be on direct debit and on a couple of occasions she ended up getting two payments taken out for one period. It happened twice and then she just came off direct debit and now pays with a gas card. That way she knows what is getting paid and what is not getting paid.

As she said – *“at the end of the day I work hard for my money so I can do without anybody else taking that little bit more. It's easy for them to do that, not easy for me as a single parent.”*

Direct debit removes from people the option to juggle their payments, something which people on low incomes like/need to be able to do. They may, for example, cut down on the amount they spend on fuel one month in order to use their limited resources for something else; this option does not exist if they pay by direct debit:-

*“If you're a bit short and you want to put money towards something else, then you can.”*

*“If you're skint you do without.”*

Another objection put forward to paying by direct debit was that it is possible to build up a debt. If people pay a fixed amount each month they may find at the end of the year that this monthly sum had been inadequate and that they owe their utility company a substantial balancing payment. This had happened to a few of the group participants, and they resented being forced to struggle due to an energy company setting the initial rate too low.



One recent convert to direct debit in a group in Newcastle was convinced that this would not happen to her. She had switched supplier and payment method to direct debit about eight months earlier, and was under the impression that she could use as much as she wanted for a fixed amount:-

*“We just pay £60 a month for however much gas and electricity we use.” (Low income)*

Another group member told her that she might get a shock at the end of the year when her statement came in, but she was certain that would not be the case. Another participant in that group recalled that her mother was on a scheme for pensioners which meant that she could use as much as she wanted for a fixed sum.

Several switchers across the groups had ended up with one company for both fuels. Although some were aware that there was a cost advantage to this, they had not necessarily made the move in order to receive a dual fuel discount. Some just liked the convenience of having both from the same supplier, and a few seemed to have ended up with the same supplier more by chance than by design.

Amongst this audience there was virtually no awareness or understanding of, or interest in green energy, and whilst some claimed to be energy efficient, others admitted that they were quite the opposite. For those motivated to save money on their bills through energy efficiency measures, reducing the amount they had to pay for their energy was an incentive in itself, regardless of green issues, which appeared to be very much secondary.

Signing up for a fixed tariff appeared to be extremely rare among vulnerable customers, partly because it would have required a degree of proactivity. Some had indicated they were willing to accept a rate that was not the lowest in order to control what they were paying each month, but the concept of a fixed bill was not particularly appealing, especially when people were told the rate might be set at a slightly higher rate than the current price of energy.

People were also concerned that if energy prices were to fall they might end up paying more than they needed to through a fixed tariff.

There were also misconceptions about how fixed deals might work so Newcastle renters wondered whether the fact energy usage was lower in summer would be factored in to fixed deals.

Most of the groups were shown energywatch comparative pricing information; these charts generated a good deal of interest and some were keen to take them away with them.

Nearly all were surprised at the price differences between the different companies and payment methods and tariffs. The fact that online billing was so much cheaper than other methods was of interest, but was unlikely to tempt many to switch to this method. Even some of those with internet access appeared reluctant to consider such a move, and some could not really understand how it would work. There were relatively few really internet savvy people in the groups and hardly any who paid for other services over the internet, so this was a rather alien idea to most participants.



People like the reassurance of a paper bill or statement; it is what they have always had and they can file it and refer to it. If they are not familiar with computers they would be concerned as to how they could keep control over their billing.

Some were concerned they may forget to go online to receive a bill or may lose online access.

In fact in some of the groups, where these sheets were handed round, some people just dismissed the online option as not being for them. They do not organise their finances that way – they prefer to work in the way they always have and which works for them, even if they end up missing out on the cheapest deal.

Although overall the online option was not seen as an attractive option by most people, the size of the potential savings was enough to tempt a few. One |Stornoway woman commented:

*“I’m definitely not a switchy sort of person but certainly I would consider it now, especially when they say the online tariff is cheaper.”*

Those potentially interested in online billing they would need a good deal of support from their energy provider if they were to choose that option.

However, several customers complained it was difficult to get through to their energy company and this difficulty might make them more reluctant to change payment method.

## 7 DIFFERENT CATEGORIES OF VULNERABLE CUSTOMERS

Discrete focus groups and depth interviews covered particular categories of vulnerable customers, as characterised by geographical location, age, household circumstances or the individual's own limitations/disabilities.

For some groups, specifically renters and those in low income households, their views and experiences were very similar to those shown in other sections of this report where general attitudes to switching energy providers and payment method are discussed. Low income households are particularly likely to be struggling financially, to be fuel poor, to have pre-payment meters and not to have internet access. They are cautious and suspicious of changes which could jeopardise their ability to manage. For example, a single mother was somewhat dismissive of the prospect of saving £70-80 a year on her energy bill through changing supplier or payment method:

*“You work that out at 12 months and work it out weekly it isn't worth it for the change.”*

They are more concerned with keeping their heads just above water than getting the best possible deal. Another single mother explained that she knew it cost her more to pay by pre-payment meter but she still preferred this option as it stopped her sliding into debt.

The Staffordshire low income group was particularly suspicious of sales reps who they thought made empty promises just to get their commission. To some extent, these suspicions were shared by the group of low-income switchers in Newcastle, but some had been persuaded by sales reps. While low income households tend not to switch, and certainly not to switch proactively, one man proved the exception, using the internet to help him get the best deals in different markets, and changing his energy provider eight times.

Those in privately rented properties were sometimes concerned they would need the cooperation of their landlord to change meters, and people in communal housing were sometimes reluctant to take responsibility for organising a change in energy provider.

Groups such as single mothers, people over 75 and Poles are not homogenous but we identified characteristics or ways of engaging with the energy market or reasons for failing to do so that were common to different sub-groups. In the sub-sections that follow we focus particularly on differences in the more distinct sub-groups which we believe are likely to be replicated in larger surveys.

## POLES

This group of seven Poles resident in north London was one of the most distinct of the segments surveyed as there were issues and patterns likely to recur among other Poles or other ethnic groups resident in England.

They had been living in England for periods ranging from less than one year to thirteen years, and three to four years was typical. Two who had been living in England for five and thirteen years spoke good English (though admitted they still struggled at times). One had very little English, two others appeared to understand English quite well but their spoken English was confusing and demonstrated their understanding was not as good as it first appeared. The other two (including the young woman who had been in the country less than a year) had reasonable English. Having a broad cross-section of London-based Poles in our sample with a spread of ability in English, meant some were able to be asked and to answer questions in English while others required a Polish translation.

The two men and five women were in their twenties or thirties and six were working (generally in jobs which were low-paid by London standards) while the seventh group member was a housewife. However, they were probably better educated and more internet-savvy than many immigrants or temporary workers who come to Britain.

Most were dual fuel with either Scottish Power or British Gas, and they favoured a range of payment methods, most typically paying cash at the bank for a quarterly bill.

The problems in engaging with the energy market were obviously greatest for Poles whose English was most limited but even those with better English lacked confidence in making decisions.

They wanted to see information in writing as they felt they could easily misunderstand or be misled deliberately or accidentally by salespeople.

One man and one woman had switched. The woman explained:-

*"I have changed a few times. That is the problem with the people knocking on your door and you don't have much time because you may be sleeping in the next room or you have something important to do and you just want make them quick go away. Then you just say ok give me your papers and I will look at them and they come in the next day and they say, if they show you that it is better than you pay. I say ok I will try that one. And we try quite a few now."*

She felt that at least once she had made a mistake in switching *"Then you was thinking you can have a better one but it wasn't at the end of the year."*

On the other hand, on at least two occasions, she felt she had obtained a good deal and saved through switching. Furthermore, she had not encountered any major problems during or immediately following the switching process.

In contrast, the man who had switched his electricity from one company to go dual fuel with another had problems with the change. *"Sometimes two bills come for the same thing so there was no agreement between two companies. We called [the new supplier] again and then they sorted it out. They must have called [the old supplier]."*

Having had an awkward switch he said he would be very reluctant to switch again particularly as he was happy with the service he was receiving from his current supplier and would not be tempted by minor cost savings.

A couple of others had switched payment method, for example one switched from cash to direct debit, which she thought was more convenient.

Poles generally were very wary of doorstep sellers (as indeed are most English-born people). Some talked about unscrupulous sales tactics and one said she and a friend were sent a contract after talking to a sales rep on a no-commitment basis.

Most felt sales reps were especially likely to target Poles:-

*"They will constantly try and push." (Female)*

*"They know we don't know everything." (Female)*

One woman reported saying she did not speak English to the first person who rang on her door, so second time around they sent a Polish-speaking rep. Poles were no more inclined to talk to a Polish speaker than an English speaker.

This group was more inclined than other vulnerable groups to look for information on the Internet. Poles would also talk among themselves and ask English friends for their advice.

Those with reasonable English felt more confident if they were able to study English written material in their own time.

The man with quite good English had investigated switching on the Internet through uSwitch and found two companies cheaper than his current supplier.. But the savings were not great and he was not unhappy with his current supplier so he did not switch.

Across the group reasons for not switching were:-

- no problem with existing supplier (and having English call centres was particularly important for Poles who struggle to understand Indian accents).
- uncertainty about making the right decision especially as they were less familiar than English people with alternative suppliers
- concern that prices might go up after switching negating any savings.

*“We are allowed, after you sign, to read the small print which has a little clause saying we’re entitled to charge whatever regardless of how long your contract is for. So you save £50 a year, but you end up paying £60 extra. So I think that’s what people are scared of, those little clauses which we don’t understand exactly because it’s written in such a language that probably a lawyer wouldn’t understand as well.”*

- feeling things could go wrong and that there could be awkward complications (such as receiving bills from two suppliers) if they did switch
- some living in multi-occupancy households not wanting to be the household member responsible for the decision to switch supplier in case it goes wrong
- the amount each individual pays being relatively low where several people live in a small home, so little incentive to switch
- for those living in rented accommodation paying by pre-payment meter, it was felt they would need to change meter to change supplier, and this would require the cooperation of the landlord
- they were mistrustful of salespeople and lack confidence in talking to them.

They were typically looking for savings of well over £100, possibly up to £200 per year to convince them it was worth their while to switch.

These Poles are probably similar to other Poles in England, and are on average better-educated, and more able to seek advice from their compatriots than many other ethnic groups. The problem for other ethnic groups will, therefore, often be greater than the difficulties encountered by Poles in engaging with the energy market.

There may be opportunities for energy suppliers and regulators to engage with community centres or community groups to publicise the fact that substantial savings may be achievable.

## NON-ENGLISH SPEAKING ASIANS

All participants had limited English and struggle to communicate in English. The group was therefore conducted in Hindi.

One of the main messages that emerged from this group is that they believe that switching can be a hassle and that door-to-door sales reps may be especially likely to employ dubious tactics if the person they speak to has poor English.

This group contained a mix of switchers (6) and non-switchers (3). Four are British Gas customers, three are with Scottish Power, and the remainder with npower. All are customers of the same company for both fuels. Four pay for their fuel by direct debit and the remainder pay by cash.

Most, whether they had previously switched or not, thought the process was generally difficult and a hassle. There was limited awareness of other companies, other than those initially mentioned by the participants. The only other companies mentioned were Virgin and E-ON. Amongst those who had switched, most had been dissatisfied with the process, and found it a hassle:-

*“I thought it would be nice and easy without any hassle. Little did I know that they would have hidden costs.”*

*“I had a rep) at my door. He spent nearly an hour explaining everything that [his company] had to offer. I thought it was good, so I switched. Little did I know that I had been conned for £80 –their transfer fee. I rang to complain but was told that I couldn’t do anything because I had signed the contract.”*

Another had experienced rising prices from his new provider and was thinking of switching back to his original supplier.

One switcher had had a difficult experience when someone from a particular supplier had knocked on the door and said that they were much cheaper than his current supplier. He said he was not interested and is sure he did not sign anything, but then received a letter from his current supplier saying they were sorry to lose him. The new supplier insisted he had signed and took £20 out of his account. It was a struggle to move back to his original supplier.

Non-switchers had remained with their current supplier (British Gas) because:-

- they were satisfied with the level of service they were receiving
- the brand name of British Gas was important to them.

*“I have peace of mind that this is a very big and strong company.”*

*“It is an established company and they have been around for a very long time.”*

*“In England, British Gas is at the top.”*

*“I have not changed. I’ve been with British Gas for a very long time and I don’t mind if they have become expensive...I would like to save money, but I would rather give extra money to a British company than to other smaller companies that might close down.”*

British Gas customers also commented that for them contacting British Gas was not too difficult as their call centre is in this country, and they are helpful to them when they explain that their English is not too good.

For these customers their lack of English is a big barrier to switching. They would find it helpful if they could communicate with companies in their mother tongue:-

*“Companies need to make visits to community centres and advertise themselves on Asian channels.”*

*“If they could publish leaflets in different Asian languages.”*

*“If I do decide to change, who do I speak to? Because it’s always a gora (a white man) at the door – how would I communicate with him?”*

## OVER 75'S

Two groups were with people aged 75 and over – one in Surrey and one in Glasgow. In Surrey, six out of the nine participants had switched at least one of their fuels at least once, two never switched, and one had probably switched but was not quite sure.

Reflecting the fact most switched, they typically demonstrated greater confidence in engaging with the energy market than might be expected of elderly people generally.

Participants used quite a wide range of energy providers:-

- Scottish and Southern
- EDF
- Scottish Power
- npower
- Powergen
- Atlantic
- And there was one mention of Staywarm.

Some had switched supplier quite a few years ago, whereas others had done so relatively recently. In most cases they had switched as a result of an approach from an alternative supplier – in other words they were reactive switchers – although there were a few examples of consumers actually instigating a move proactively.

One participant said that he had switched away from his original supplier about four years ago *“after what they got up to.”* He switched but said he was then constantly contacted by his previous provider who told him they were reducing their prices by 17% so he switched back, and almost immediately their prices went up by an average of 17%-27% - *“What a con. It was just to get you on their side. I went back to (the second company) and would you believe they’ve gone up as well!”*

This led to him lacking trust in any suppliers:-

*“All you do know is that you can’t trust any of them – that’s my feeling. You get bombarded with all sorts of nonsense.”*

In contrast, another group member had seen an ad in the paper for energy provider saying that they were cheaper than other people – she rang them, received leaflets and decided to swap. She is pleased with the move. She had been approached by other companies in the past and had never taken up other offers but it was this ad which attracted her:-

*“I wasn’t anti-switching, but my daughter has made me into switching. She’s very into it and said don’t be daft, Mum. If you can save, switch, so that’s what we’ve done.”*



Elderly people are less likely than the general population to switch proactively in this way but in some aspects they are better placed to do so, having more time than working families, to consider options. Those with supportive grown-up children to advise and help them may be particularly well placed to make decisions regarding switching supplier. One elderly Surrey man explained how his son would go online to help him check out energy providers.

One had switched reactively as a result of a visit from a salesman, and has remained happy with the move:-

*"I had a cold caller come to the door, it was a lovely summer afternoon, so we sat in the back of the garden and chatted away. He came out into all these details, so we thought well – and we have changed."*

This customer was very happy with the move he had made as he saved money by moving and continues to get a rebate from his new provider.

The two who had never switched were well aware that they could do so.

One said she often had people knocking at her door and pestering her:-

*"But I'm not going to be pushed into anything just like that. My son is always changing to different ones and he really doesn't save anything."*

In her case, not switching resulted from lack of belief that it would achieve anything, and also laziness, as she described herself as indolent.

The other non-switcher said she lived in a very small bungalow which did not cost much to heat, so felt there was nothing to be gained from switching. She is also approached by salespeople *"I can't believe all they say, they're pushy. One even told me I was stupid and I thought that's it, shove off."*

This same person however had just switched her landline from BT to the Post Office. She claimed she used the phone a good deal so it will be worth it.

The second focus group with this age group took place in Glasgow, and they were all recruited to be non-switchers, customers of Scottish Power and Scottish Gas with one mention of Staywarm.

Generally this group was nervous of change and in many ways demonstrated more of the characteristics expected from a pensioner group. They were fearful of making a mistake and also did not believe that the amount of money they would save would be significant enough to be worth the effort:-

*"Sometimes you are frightened to change because as soon as you start going to something else, the price goes up again. I'd be better just staying where I was."*

They were very aware of sales activity, door to door salespeople and also supermarket selling. They are also anxious about sales phone calls:-

*"You get umpteen phone calls from different people – don't know anything about them."*

One commented that she was hard of hearing, so phone calls were not good for her, and this would also deter her from ringing companies unless she really needed to.

There is a perception that switching supplier must be a hassle:-

*"I think I'll stick. We just don't like change or any bother. It's just the thought of a change – you think ok it's going to be a big bother."*

*"We just don't like change at our age. You just get into a routine and that's it."*

*"It depends how much you're going to save. If it's just a pound you're not going to bother."*

In fact even what might seem worthwhile savings did not tempt many. The elderly Scottish group spent time considering how they would spend money saved before concluding changing providers would be unlikely to be worth the hassle.

Despite the levels of sales activity they commented on, there was not great awareness in this group of a wide range of alternative suppliers. There is undoubtedly a feeling of security about being with a known company, for this age group, and in this case the reassurance came from being a customer of a Scottish company:-

*"You feel safer with anything that's got Scottish in it – Scottish Power, Scottish Gas – and you feel you're doing Scotland some good."*

*"My mother was always with the gas board and the electricity board (Scotland) – and you just kind of get used to the idea."*

There is also confusion as to what might be involved in making a change to a different supplier, with some wondering if it would mean having a new meter installed or needing to go to the bank to change direct debits.

If they were to be encouraged to make a change, they would need a good deal of support, and someone to explain things to them very clearly. In this group only two participants actually showed any real interest in the idea and would feel happiest going to someone like Age Concern or CAB for advice and help. The others believed that they were just too set in their ways.

Even for those showing some interest, the basis of what is involved usually need to be carefully spelt out, and for most this would still not be enough:-

*"We just can't be bothered and the effort isn't worth the money. Taking everything into consideration, we're happy as we are."*

## SINGLE MOTHERS

The group of seven single mothers included those with teenagers, some with younger school age children and some with pre-school children or babies.

While they have a distinct demographic this did not lead to unique problems except:-



- those who are not working are likely to be in when reps call but some felt a physical nervousness in dealing with door-to-door sales reps
- in some two-adult households, one is better suited or placed than the other to deal with energy bills/suppliers. In a single adult household that person is obliged to handle these issues even if their partner would be more likely to do it if they were (still) in a relationship.;

*“when you’re on your own you’ve got no-one to bounce it off. You sit and think shall I just leave it and not struggle myself over something.”*

- they struggled financially; energy bills were a major expenditure for them, and a couple suggested single parents should get a winter fuel payment similar to that which is given to old people.

*“What they should do, is give you an allowance if you’ve got young children, because of the washing machine and electricity. If you’ve got young children, the washing machine is always on, got to do the bedding. I’ve got a child with eczema and the bedding has to be changed all the time and if you’ve got a child that’s sick all the time. And also in the winter they get so dirty, because they wear more clothes than in the summer.”*

The problems faced by these single mothers in dealing with energy bills and suppliers and their reluctance to switch or to contemplate switching providers were replicated across other groups. Most were dual fuel with British Gas and none remembered ever changing their energy supplier.

They used a mixture of payment methods including direct debit, quarterly cheques, cash, pre-payment meter and payment card.

The woman who paid by payment card found this a good option:-

*“Both the gas and electrical company said it would be cheaper for me to do it by payment card because it’s for people on low income, rather than having a meter. And I didn’t want a meter anyway and I was panicking when I moved into this address that there’d be a meter there...I can go and pay as much as I want as long as it is at least £10. I do it with my BT and everything so that when the bill comes in I might owe £12...and pay points in shops. They’re really lenient with it as well I find. If I think I’m away that week or whatever so I’ll either pay it a week before or think I’ll pay it when I get back. They don’t start ringing me up.”*

Most others had found a payment method that suited them and were often wary of paying by other means:-

*"It worries me with direct debit though. You know like you were saying you've an outstanding bill, the last thing you want, go to your bank and then all of a sudden you've got this seven hundred pounds overdraft that wasn't there 2 days ago."*

One customer had changed her payment method, switching from prepayment meter to direct debit with disastrous consequences:-

*"I was on the key meter and I switched over to direct debit and my heating system was upgraded to storage heaters and somehow they just messed it all up. I pay £50 for my electric but that's got me in a lot of trouble because they undercharged me so I'm in arrears now of nearly £700. You get a night tariff and a day tariff and somehow it's all got mixed up. I don't know what's happened. That's why I have to get energywatch because I just can't work it out from my bills what's gone wrong.. My company didn't bill me. I had to phone them. They didn't bill me for at least six months. And every time I've had to phone up and find out what's going on. They are awful. Once I get that all sorted I'm definitely moving, definitely."*

She believed she had to sort out her arrears before she could move on.

A young mother, coping on her own for the first time, switched from a quarterly bill to a meter at her instigation:-

*"I find it much easier to budget because then I don't get a big bill and be stressing how I'm going to pay it."*

Others had never changed payment method though some had considered it. They were very wary of the option of receiving an online bill:-

*"I want the paper bill so that I can check."*

*"Because of being on a low income I'd worry about receiving a bill by email. Say the internet was cut off, what do I do? Have to keep going down the library to try and pay, and I might as well have a meter."*

*"Even if I pay online I would still like a bill."*

*"The only thing that worries me, if they send me a bill every quarter and I can see how much credit I've got, I would then have to consciously make an effort to go online and see if I'm in credit."*

*"(If I was deciding whether to switch I'd print off charges from the website) and work it out myself against any existing bill which is why I like paper bills."*

Changing payment methods was generally not seen to be as big an issue or a potential problem as changing supplier. Dealing with an unknown company was seen as potentially more likely to result in problems. If they had a problem with their existing supplier and decided to switch some would go online, others would seek recommendations from friends or family.

Except if they were encountering problems, with energy providers, these women did not generally talk to or learn from friends about issues concerned with energy or energy suppliers but one had been told by a friend about switching:-

*“I did look at that USwitch website but I got confused. But then someone told me they’re biased towards certain companies so I was a bit wary.”*

Others had seen USwitch advertised on TV but had not felt motivated to investigate, though they did have online access:-

*“You don’t know who to believe anyway...you could end up spending more so I just stick to what I know.”*

One woman had rung another supplier to check the day rate and night rate but she had not felt she received a satisfactory answer:-

*“I’ve got my bill in front of me which is why I like proper bills and I can work out how many units and what they would have cost me with [this company]. But it’s too complicated; they just won’t give it to you straight like that. I don’t want anybody around, I want to work it out for myself. And I try not to do it on a monthly basis. I try to think my electric’s £15 a week. There’s not a lot of savings that you can do on that.”*

These women were very reluctant to talk to sales reps either door-to-door or in shopping centres and were sometimes dismissive of those who signed up:-

*“I know one particular friend of mine has signed, thinking that somebody was going to try and get it cheaper for her and then she ended up getting bills from 2 electric companies because she didn’t actually follow it through. They really pushed her into it. Because she was really weak they really pushed her into it.”*

One had briefly done sales work for an energy company and confirmed that there was a lot of pressure on reps to achieve sales and obtain signatures.

Two mothers were worried that they would not have problems sorted if they left British Gas:-

*“Wrongly or rightly, I always think if you’re with British Gas rather than other companies, if something goes wrong they might have to contact British Gas to actually fix the mains or something. Because I know with the phone I changed to Carphone Warehouse and there was a problem with the phone and they said, you have to ring BT because they do the line. I just think if I have gas from someone else, there’s a gas problem in the road, they might either leave me at the back of the list or charge me because I’m with a different company. So that’s why I’ve never wanted to come away from British Gas.”*

*“I would be scared (to go to another company). I think it’s a problem in trusting people and trusting companies and you just think you’re going to get more aggravation”*

When shown print outs from switching websites and energywatch price comparison literature, they were surprised at the extent of the savings they could make and some were more willing to consider an alternative supplier or a different tariff.

Indeed one of four mothers recontacted after the group, having taken away pricing literature, did actually change supplier a few weeks later.

However, they were reluctant to switch to an organisation they had never heard of, even if they appeared to be the cheapest supplier, but would try to check it out first by visiting their website and/or calling them.

They were very wary of switching despite the potential benefits:-

*“You’ve got to give all your bank details over to this new company. You’ve got to go to the bank and make sure you cancelled your direct debit with your old supplier so that they don’t take payments out as well. So you’re not getting two payments taken out.”*

*“What I’d like really is to deal with somebody at (her energy company) who can sort out everything.”*

They were also doubtful as to whether savings would be permanent:-

*“Aren’t the others all going to think, well they’ve put theirs up, let’s put ours up and all of a sudden they’re all in the same ballpark. This is how I’ve always felt. That’s why I’ve never changed. I thought, well if British Gas goes up first just watch out. And sure enough the others follow. It’s like petrol, nobody’s got much cheaper than someone else, there might be a few pence.”*

*“I’m a bit wary. You do this low price for so much and then it might go up.”*



## LOW LITERACY AND NUMERACY

One focus group, in Leeds, was recruited to be made up of people with relatively low levels of both literacy and numeracy. Respondents were recruited for this group if:-

- they left school aged 16 or under
- gained no more than three GCSE passes at grades A-C
- said that they did not find utility bills/statements easy to understand
- admitted that they struggled with reading, writing and with figures.

In most respects, their attitudes towards the supply of gas and electricity were no different from those expressed in the groups which consisted of renters, and those on low income. This is hardly surprising as most in this Leeds group were on low income and living in rented accommodation. However, they were more likely than other groups to admit to struggling to understand their energy bills and/or the process of switching suppliers, even though some were reasonably confident in switching banks or arranging to go on a water meter:-

*“I changed from a normal standard water bill to a water meter but that’s all.” (Female|)*

They did regard energy as particularly problematic and in some respects were the most cynical group in their jaundiced views of energy suppliers.

*“Tesco and Texaco have a big billboard outside saying it’s 98p a litre. If (the gas/electricity companies) said it’s 60p per watt or per volt, whatever it is, and then you could compare. They don’t do anything in that kind of basic level do they?”*

*“It’s bad enough when you’ve got a problem with your bill you phone up, before you know it you’ve spoken to ten different people nearly, and it’s costing you a fortune on the phone as well so – but I’m sure they do that on purpose to put you off from phoning them up or from trying to change it.”*

One man contrasted the expected ease of switching to a new bank with the likely hassle of changing energy provider:-

*“You can go into a bank you’re not with....and they can do everything from your bank straight up to them, direct debits, you don’t have to sit on the phone for three hours.”*

They certainly did not feel the energy market was working in the interests of consumers and one man suggested collusion between energy companies to keep prices high.

These customers were non-switchers and generally had a very low view of energy companies, describing them as rip off merchants, and saying that they all start off low to encourage customers to switch, and then raise their prices. One complained that despite being on a token meter she had built up a debt:-

*“I didn’t owe no money when I first had it put in, so how can I owe them money now?”*

Another recalled having paid an additional £120 which had actually been owed by the previous tenants, without having realised this.

Despite being aware that they are paying more by using a prepayment meter, several like this method of payment for its convenience, absence of a big bill and the flexibility it gives to juggle payments.

Some have had experience of their meter switching itself off, and having to wait for someone to come and switch it back on. This had happened to at least two of them over Christmas, and with one of them it had happened five times at Christmas time:-

*“I lost £90 in my meter over Christmas and they paid me £20 back.”*

Direct debit was thought by some to be potentially attractive because it is cheaper, and one had been pleased to see his outgoings reduce when his new property had no pre-payment meter so he ended up paying direct debit and saving as a result. However, people realise paying by direct debit means being in credit at the bank and this is something some would find difficult. One woman had also been most unhappy when her direct debit payments were reduced from £50 to £30 a month only for her to be left in arrears a few months later requiring payments to be increased to £70 a month as a result, she believed, of her supplier's miscalculation. Several participants in this group suggested that energy companies much prefer their customers to pay by pre-payment meter, because the companies can then adjust the rates easily, and that companies are quicker to put people onto pre-payment meters than to take them off. One had previously had a payment card which required him to pay monthly but because he missed a payment, they took him off the scheme and put him on a meter. He is still paying off the debt.

This illustrates a recurring theme in this study that if things go wrong for a vulnerable customer who is typically on low income, it can take a lot of time, effort and worry for them to put things right (by paying off a debt).

Another complained that when he first moved to his current house he kept running out of gas. He'd get £10 worth at the Post Office but this only seemed to give him £7 worth of gas. Changing energy supplier was just not seen as an attractive option, because any saving is likely to be short-lived:-

*“It's just an enticement to change companies, and then when you've been with them another month you're back to square one.”*

They believed that energy companies made switching a real hassle for consumers and one queried whether she would be able to switch as she had a debt:-

*“Wouldn't it depend if you were in arrears? Say you owe £100 but you can't pay it off, would you have to wait until you'd paid the £100 before they would let you switch?”*



## NO BANK ACCOUNT

From the evidence of only four depth interviews, it seems that people without a bank account are a heterogeneous group from which it is quite difficult to generalise. Many have probably held a bank account previously but may have got rid of it to relieve them of one source of anxiety.

In the most interesting interview, a recently divorced Jamaican Londoner had previously had banking problems. Her wages had gone into her bank late, and she had found that she was overdrawn because her energy direct debits had been taken. She then switched to a prepayment meter, stuck with her energy provider, and closed her bank accounts.

She was unusual in that she was a confident, proactive switcher who read a lot and picked up information from TV/radio news, so felt able to decide who to switch to even without checking price comparison sites.

She has since switched several times, firstly to a company (who failed to respond to problems, then to another supplier with whom there were billing problems) and then to her fourth provider. Despite earlier problems with her third provider, she then switched back to them as they were cheaper. Switching had never previously caused her any difficulties but on this occasion there were some issues with the meter which were really annoying, and resulted in her then husband switching to a different company when one of their salespeople called at the door.

One thing she will not switch however is her payment method as she is happy with a prepayment meter.

The other participants who did not have a bank account were quite happy with their current payment method, and had no desire to switch to a method that would require them to open a bank account, even if, by doing so, they might save money. They just like *“knowing where they are”*, and having a pre-payment meter suits them well. One was happy paying a quarterly bill by cash.

A non-bank account holder in rural Wales, actually relishes the fact that when she is approached to switch she just says that she does not have a bank account, and this acts as a deterrent:-

*“Once you say you haven’t got a bank account they don’t bother with you.”*

Customers with no bank account are unable to pay bills by direct debit and many will be averse to this kind of payment anyway.

As a result those with no bank account are likely to pay more than typically more affluent customers who choose to pay by direct debit.

## RURAL/REMOTE COMMUNITIES

One clear way in which people living in more rural or remote locations differed from urban dwellers was that they receive far fewer visits from reps. In a village to the north of Neath, where nearly all the group participants were customers of SWALEC, it is mainly a British Gas rep who visits the village regularly:-



*“There’s a guy that comes round the area. He’s around every month, I think.”*

One mentioned a visit from Powergen but overall it seems they do not get many rep visits.

Similarly in Stornoway, most were Hydro customers, and there was some discussion as to whether Hydro was the same company as Scottish Power:-

*“I thought you could only go to Scottish Power which is the same as the Hydro.”*

*“A man came to my door so there must be someone on the Island that does it. I think it’s the independent ones like Utility Warehouse who come round, but I’ve never had Scottish Power or the Hydro. I think they just rely on companies staying with them.”*

Others had not been approached, and one participant did not know that it was even possible to switch to an alternative supplier:-

*“I did not know until tonight that it was possible to change your electricity suppliers on this island, I thought you were stuck with what you were stuck with, and that was that.”*

The groups in Wales and Scotland demonstrated loyalty to Welsh and Scottish companies. In the Welsh group, participants were all enthusiastic about SWALEC, believing it to be the best company for both prices and service:-

*“They’re brilliant – straight on the phone and no problem.”*

*“SWALEC’s been around for donkey years and it’s a firm that a lot of people just trust.”*

*“Everybody’s got something good to say about SWALEC.”*

This same attitude was seen in the Scottish groups, where people showed great loyalty to the Scottish energy companies.

Because of this attachment to their *“National”* suppliers, most were disinclined to switch. They were not, therefore, concerned by the infrequency of visits by reps of competition. On the contrary, most of them are quite happy, and the lack of sales rep visits further reduces their likelihood of switching.

### PRIORITY/SPECIAL NEEDS CUSTOMERS

Six face-to-face, in-home depth interviews were arranged with people who had medical conditions or disabilities which might impact on their fuel needs and on their reactions with, and views of switching energy suppliers. Of these six:-

- two were blind/visually impaired
- two were deaf/hearing impaired
  - in all four cases it was the bill payer who was interviewed
- two had special fuel needs/were reliant on fuel. In these cases the interviewee was not the bill payer.



One blind lady was very lively and worked at a Centre for Inclusive Living. In attitude and behaviour she was no different from a great many of the non-switchers in this survey. Her reasons for not switching were a combination of inertia/no current problems/not wanting to make a mistake and feeling that the benefit would not be great.

She could use a PC, and could access the relevant websites, but did not think it would be worth the effort.

The other visually impaired customer was very loyal to her energy provider as she believed they had treated her well. As a result, she had no intention of switching:-

*“Especially since I lost my sight, they’re so willing – anything you need like talking bills. Any problem you’ve got, all you’ve got to do is phone them up and they’ll sort something out – and they’re willing to listen as well, which a lot of people just can’t be bothered to do.”*

FDS has undertaken many studies in the energy market and find it relatively rare for customers to give specific reasons linked to quality of service for staying with a supplier so this kind of positive loyalty is not that common among energy customers. Where people stay with a supplier for reasons of positive loyalty it may be seen as rewarding that company for their performance. But too often “loyalty” is passive and based more on fear of the unknown than any real achievements on that part of an energy company.

One of the deaf, elderly interviewees was a dual fuel customer. He realised he must have switched something, at some time, but could not remember. In addition to this hearing impairment he also had mobility problems as a result of severe rheumatoid arthritis but was able to drive, and communicate well with hearing aids.

He and his wife live off a pension but are able to manage, and do not have a problem paying their gas or electricity. They are very content with their lives and have no wish to change anything. They pay for their fuel by direct debit and he said they do not miss the amount they pay.

Like many elderly people taking part in this survey, they can turn to their children for help and advice, but this particular participant remained as independent as possible and had recently helped his 80+ neighbour when she had switched her gas supplier recently and was billed twice. He wrote letters on her behalf.

The other hearing impaired customer lived with her daughter in a council flat due for demolition. She hardly even goes out or opens the door to anyone, partly because of being unable to hear. She mistrusts junk mail and would never make a decision to change her electricity supplier (she has no gas). She has very little contact with the outside world, relying almost totally on her daughter, and being quite confused.

Her daughter (who acted as go between for this interview) had the same play-safe attitude, no bank account and a very low income. She has seen sales people in the shopping centre but has never taken up their approaches and would not want to discuss her limited finances with a stranger.

They did not believe there were many options for people like themselves, with no bank accounts. They recognise they are probably paying a premium (for many things), but despite constant money problems they were quite careless about their finances in terms of seeking out value for money.

For these people, the change threshold would have to be higher than is likely for them to be even tempted to change.

Because of lack of contact with the outside world, they are unlikely to be aware anyway of possible attractive offers.

One interviewee (elderly) had a son at home (mid 40's) with a number of health issues which necessitated the home being warm at all times. She is wondering if they should consider changing supplier as their bills have increased considerably recently.

Their recent large bills have been a shock, as in 2007 her son spent six months in hospital, during which time there was less need to heat the house to the same degree.

The other '*reliant*' respondent is happy, especially because their energy supplier provided them with a new boiler at no cost as a result of her husband's health condition and eligibility for an attendance allowance.

They also signed a fixed price agreement with this company, as a result of which she believes their fuel costs are fixed until 2010.

## 8 ATTITUDINAL SEGMENTS

### TYPES OF NON-SWITCHERS

We identified eight main segments of non-switchers. Some of these groups are more clear-cut than others – in some instances the difference between different segments are fairly subtle.

All of these segments of non-switchers will be found in a general sample of energy customers, but each is more likely to be found among vulnerable customers. People who have switched supplier once or twice but are very disinclined to switch again could also fall into these categories, although they are less likely to do so.

The eight groups are called:-

- Cannot switch
- Older – happy as they are
- Change averse
- Under confident and nervous
- Overwhelmed
- Too lazy/indolent to bother
- Uninterested
- Loyalist.

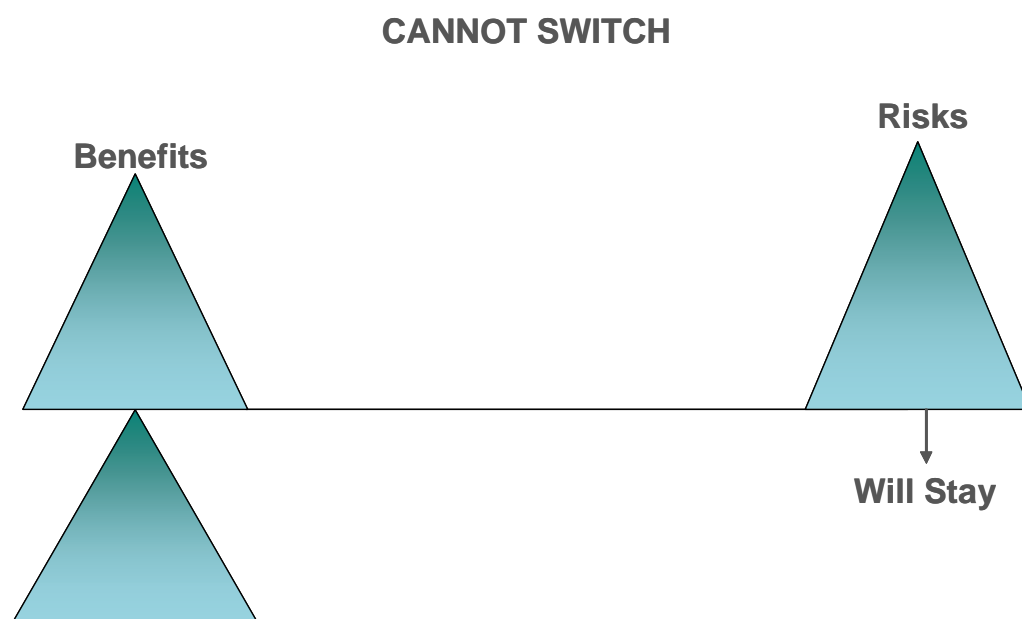
## CANNOT SWITCH

People who believe they cannot switch:-

- may be unaware of other suppliers
  - but even among Poles and those with learning difficulties we did not find any in this category
- may believe no other suppliers would service their area, possible because of its remoteness
  - there was an individual in the Stornoway group who held this view and some in rural Wales commented on the lack of competitive activity in their area
- they may believe other suppliers would not accept them or be interested in them
  - in particular, because they had no bank account, and at least one participant said she persuaded door-to-door sales rep to leave her alone by telling them she had no bank account
- they need to pay off an existing debt to their current supplier before they can switch
  - this appears to be a grey area as customers may think it neater to clear a debt with an existing supplier and start with a clean slate with a new supplier but one single mother who was keen to switch away from her current supplier believed she could not do so until she had paid the debt off.

In these circumstances the perceived benefits and risks of switching to these individuals are academic as they believe they are unable to switch so do not attempt to do so.

In the balance model even if the perceived benefits of switching are greater than the perceived risks the customer would stay. However, the position may change, if for example a customer who did not expect other suppliers to service a remote area found one sent sales reps round or made calls to pick up new customers.



**'OLDER – HAPPY AS THEY ARE' and 'CHANGE AVERSE'.**

A characteristic of these two similar segments is that they are unlikely to listen to someone encouraging them to switch, even if that person is giving independent advice. In the focus groups, even when they were shown the potential savings they could make they were unlikely to seriously contemplate switching.

These customers are among the toughest nuts to crack for energy companies' sales reps – but also for consumer groups or regulators encouraging people to get the best deal possible from the energy market.

The *'Older – Happy as they are'* group have been used to doing things the same way for years, using the same supplier and paying the same way, often by cheque.

They are contented as they are – they have budgeted for energy bills and are happy.

They feel comfortable as they are but feel threatened by change and are keen not to make a mistake:-

*"We live off our pension – we're quite content. We pay our gas and electric and we don't have a problem." (Deaf customer)*

The more elderly customers are generally not well informed about the market. While they may be aware there are suppliers other than their own (which is often British Gas), they are likely to lack confidence and to be uncertain about how to go about changing – but they are not even particularly interested in finding out how to change. They believe they are comfortable as they are.

They are not keen to speak to independent advisors and even less likely to want to speak to door-to-door people. Many will simply not open the door to sales reps. They would need to have trust and confidence in a salesperson to contemplate switching and their lack of interest in switching and instinctive mistrust of salespeople mean this presents a particular challenge for reps.

There are many older people who have confidence and knowledge to switch proactively and to choose between a range of suppliers. But these are more likely to be found among more affluent, better-educated older people, than those who are dependent on a state pension and are more vulnerable.

*'Change Averse'* are very similar to the older group in that they share similar attitudes and behaviours, especially their reluctance to consider changes to supplier or payment method, but they can be any age.

Within the change-averse segment, some were reluctant to change any supplier, while others may shop around, for example for better deals on their mobile phone, if they felt they could make savings easily.

They are temperamentally reluctant to consider change but may be slightly better placed or more confident in switching than some of the *'Older-Happy as they are'*. However this group does not currently wish to change energy suppliers or payment method and they have a set routine they are comfortable with:-

- they know they are able to pay bills as they should so why *"rock the boat"*
- they are concerned that if they do make the change something may go wrong and they may then struggle to cope.

Individuals in this segment are often wedded to their current payment method because it helps them to budget even if they pay more for their energy as a result, and are aware that this is the case.

Like the *'Older-Happy as they are'* group, individuals in this segment are very unlikely to change even if they are or made aware of the price benefits of changing payment method of supplier.

Their balance model shows the pivot way to the left. For them it is far easier to stay than to switch. Perceived risks of switching far outweigh potential benefits.

*'Older-Happy as they are'* and *'Change Averse'* are more likely to be repeated in vulnerable groups. For example, previous research undertaken by FDS for DTI, National Consumer Council and Scottish Consumer Council shows elderly DEs more likely to agree that:-

*"Life's too short to worry about saving a few pounds here and there."*

But not to welcome independent advice or to shop around to get the best possible deal.

These two segments are likely to be:-

- less confident
- less knowledgeable
- less interested in saving money (as opposed to simply managing) than energy customers generally.



They need to be:-

- convinced switching is easy and straightforward
- that it has minimal risk and they will still be able to budget
- that it offers real (financial) benefit.

But they are reluctant to talk to salespeople or independent advisers so it is unlikely they will be persuaded on these three points.



## OVERWHELMED

Previous research for DTI and National Consumer Council identified a customer segment who could see benefits in switching in different markets but were nervous of switching and conscious of potential risks. This segment was relatively likely to have considered switching in a particular market but not to have done so.

This segment is well represented among vulnerable customers but is also found among the general population, especially amongst those who are indecisive and/or time poor, rather than those who are struggling financially.

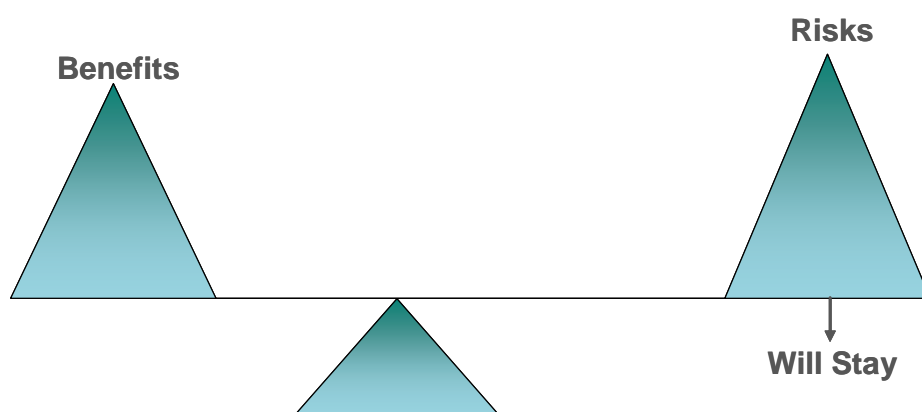
To a greater extent than other segments, they are aware that they might be able to save money through switching suppliers and/or payment method, and some feel they ought to try to do so. The balance chart is marked by major perceived benefits, in switching, but also major perceived risks. Uncertainty regarding the switching process means they think it will be easier to stay than to switch.

They struggle to make decisions. They are not convinced that they should switch and may be uncertain of the consequences of switching. They may be unsure how to go about switching, which supplier to choose, or whether they will really make long-term savings as a result of switching.

Individuals in this segment would probably feel pressured and be reluctant to talk to a visiting sales rep. However, they may well welcome help and advice they deem to be impartial. They might be persuaded to switch if they trusted the advice and help given and were convinced:-

- the option suggested made sense for them
- there would be no adverse consequences of switching.

**OVERWHELMED** - Conscious of benefits but struggle to make decision



People in this segment are more likely than others to have actively considered switching and/or investigated doing so, but then got cold feet and failed to follow through possibly overwhelmed by the choice of suppliers, or uncertain as to whether the change will go through smoothly.

### UNDER CONFIDENT AND NERVOUS

This group is similar to the '*Change Averse*' but their reasons for not switching are based more on uncertainty of how to switch or fears that things could go wrong rather than any lack of interest.

Indeed, they differ from the '*Change Averse*' in that if they could be persuaded (by an independent person they trusted) that they could change supplier very easily and without problems and that they would save money doing so they probably would switch whereas the '*Change Averse*' would probably not allow themselves to be persuaded to change.

The '*Under Confident and Nervous*' are more pre-disposed to switch provided they can be convinced things will not go wrong.

They do have concerns about what might go wrong and are very aware that sometimes switchers have received bills from two companies.

Often on a tight budget and a low income, they believe it will be difficult for them to recover from a problem, such as facing a much higher than expected bill. Struggling financially and expecting to do so in the future, they are much more vulnerable than those on higher incomes if asked to meet unexpectedly high bills.

They also need reassurance that the switch itself will be hassle free and easy, and that they will be able to switch away from the new supplier easily, if things do not work out. Some had heard stories of people signing a contract when switching that tied them in to their new supplier for several years, and they would then be at risk from that supplier raising prices.

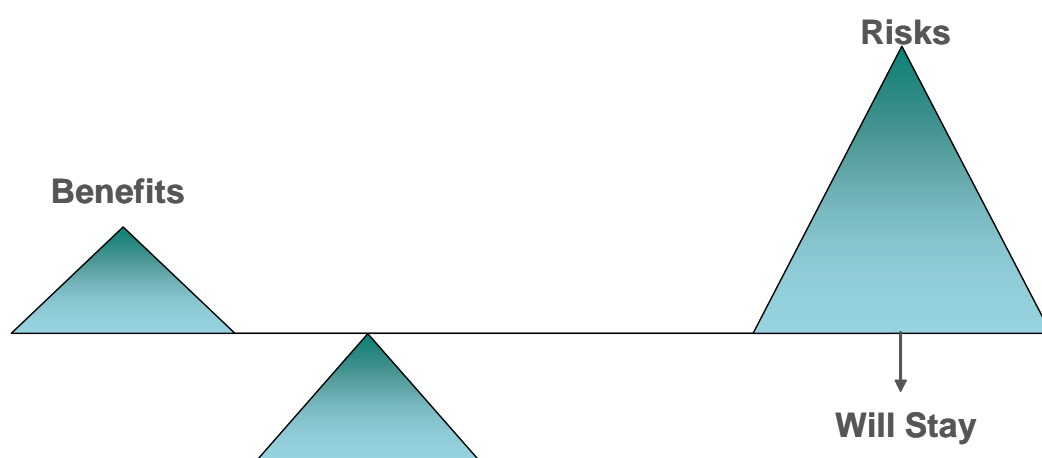
While this segment might contemplate a switch, they need to be persuaded that there would be no problems if they switched.

The balance model shows they are aware of benefits in switching and that they are aware they can switch – but they see major risks in doing so and believe it is much easier to stay than to switch.

Again, this group is over-represented among vulnerable customers including:-

- the elderly
- those with learning difficulties
- those whose first language is not English
- people on very low incomes.

### NERVOUS



## TOO LAZY/ INDOLENT TO BOTHER

This segment is similar to the '*Overwhelmed*' segment in that they are well represented across customers generally, but particularly among some segments of vulnerable customers.

They are disinclined to make the effort to switch as it is easier and less risky to stay than to switch. They are happier to carry on as they are, rather than make the effort to research the market. Some knew people who switched companies, such as mortgage providers, regularly and claimed to save as a result, but they could not be bothered, or claimed not to have the time, to make such efforts themselves. Some regarded frequent switchers as somewhat obsessive people with time on their hands.

Among vulnerable customers those classified (by themselves, in most cases) as lazy are typically financially poor, but not obviously time poor, simply passive and lazy, offering no real rational answer for not switching.

*"I'm just so lazy – I've done it that way for the last 25 years and it just ticks along and you forget about it."* (Remote)

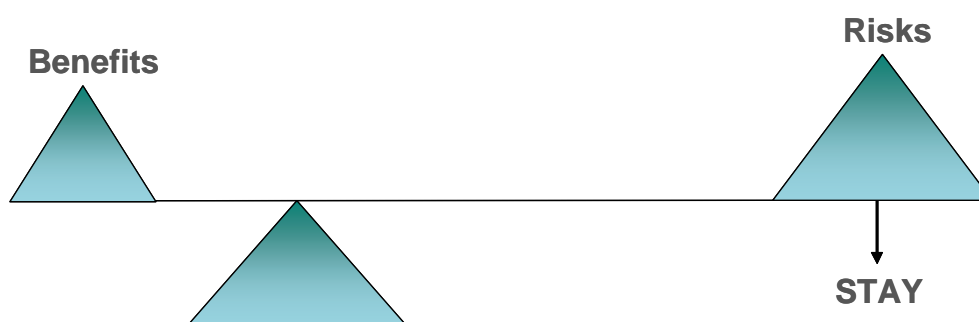
*"Once you start doing these things you would have to look at it every year."* (Remote)

*"I'm too lazy. If anybody rings me up and gives me a good offer I say 'no I'm not interested'"* (75+)

What was remarkable in some groups was how those who were financially struggling were quick to dismiss as too small to bother about, potential savings of £50-100 a year or more. That said, some of those who said they were or appeared to be too lazy to switch were so surprised and impressed by the potential savings they could make that after seeing the energywatch price comparison sheets during their focus group, they thought they might switch after all.

This group is probably less easily persuadable than the '*Overwhelmed*' but more likely to respond to a sales rep or independent advice than the '*Change Averse*'.

## LAZY/PASSIVE



### UNINTERESTED/MINIMAL BENEFITS IN SWITCHING

This segment is similar to others such as '*Lazy/Indolent*' but they are more likely to believe the benefits to them of switching will be more minimal, and are not really interested in seeking savings.

Again, people with these attitudes are found in energy customers generally, not just vulnerable groups. Many affluent people have low interest in savings, especially if energy bills are low relative to their income, and they are time poor and anxious to avoid a hassle.

Among vulnerable groups there are often particular reasons why people expected to achieve minimal benefits in switching.

In some cases people pointed out their energy bills were low, possibly because they lived in a small property and were out during the day.

Those living in shared accommodation with other renters were particularly unlikely to want to switch proactively.

To do so:-

- they may need co-operation of the landlord, especially if on pre-payment meter
- other people in the property contributing towards energy bills would have to give their agreement
- they risk facing hostility from other household members if things go wrong.

And most importantly, they may be paying a fairly modest amount for energy themselves, so do not feel particularly motivated to change.

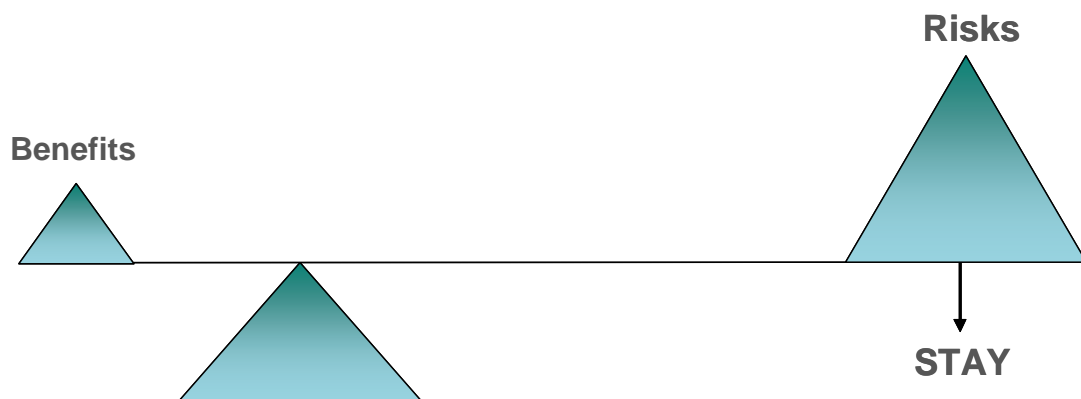
The expectation they would only be living at a particular address a short time would also act as a disincentive to switching, especially switching proactively.

Some may be uninterested in switching because they expect savings to be only temporary, as prices are expected to equalize in the longer term. Indeed there was a lot of cynicism towards energy companies who in the long run were thought to charge pretty much the same.

This group is similar to '*Change Averse*' in that they are not interested in talking to sales reps or independent advisers.

They will be very hard to persuade to change – they are effectively disengaged from the competitive market, because without any strong feeling of loyalty to their existing provider(s) they are very disinclined to switch.

### UNINTERESTED



## LOYALISTS

These individuals are more likely to be found among older and poorer customers so are over-represented in our vulnerable groups.

They are different from people who express passively loyal views such as “I haven’t had any problems with them so I have stuck with them”. Passive loyalists are closer to ‘*Change Averse*’ or ‘*Lazy*’ segments in that there is no particular reason for their claimed loyalty other than a lack of specific problems.

The segment we describe as ‘*Loyalists*’ are likely to stay with a particular company even if they think it is more expensive and switching is easy. They have positive reasons for their loyalty.

British Gas, and in Wales, SWALEC, are the organisations particularly likely to benefit from this loyalty. In Wales some perceived SWALEC to be larger than British Gas and its very Welshness encouraged some to feel a positive loyalty towards the organisation. In Scotland, several admitted to preferring a company with ‘Scottish’ in its name, such as Scottish Power.

For Asians with limited English the ‘Britishness’ of British Gas is reassuring and gives it a strong advantage over the other less well known companies who may seem less established. Some Asians preferred to support and give money to a demonstrably British company rather than one which might be foreign.

While sometimes customers formed an emotional attachment to a company resulting from its origins, name or positioning we also found instances of loyalty to a supplier who had been accommodating to a customer’s particular needs.

This included:-

- people with disabilities or very dependent upon their energy supply feeling they had been given excellent support
- Asians with limited English feeling they were treated patiently, sympathetically and courteously and not made to feel inadequate because their English was not good
- customers being very pleased to be dealt with by a UK call centre, and these views were especially likely to be expressed by those who struggled to understand spoken English, such as Poles who found it difficult to understand Indian accents (although some also found Scottish or northern accents difficult).

Where loyalty/reluctance to switch is based on positive factors this is a reward for good performance. If companies are aware good service breeds loyalty this will encourage them to deliver better service.

However, we also found instances of loyalty to an organisation, most typically British Gas, being based on a misapprehension that demonstrated the competitive market is not operating as effectively as it could.

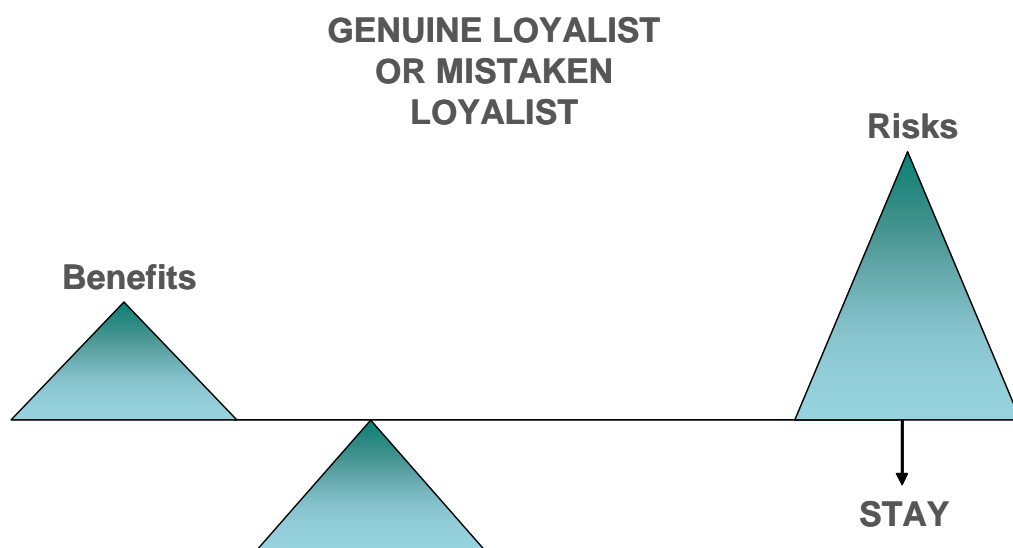


For example, we found instances of single mothers being concerned that if they switched away from British Gas, they would no longer be a top priority if there was a gas leak or interruption in supply.

This kind of misunderstanding (not common but not very unusual among vulnerable customers) benefits British Gas at the expense of less well-known companies.

Those whose loyalty is based on a misapprehension need to be persuaded that response to supply interruptions or similar problems will be unaffected by them switching suppliers. If that does not happen they will regard switching as fraught with danger.

For the '*Loyalist*' the benefits of staying combined with the risks associated with switching outweigh any possible financial benefits of switching.

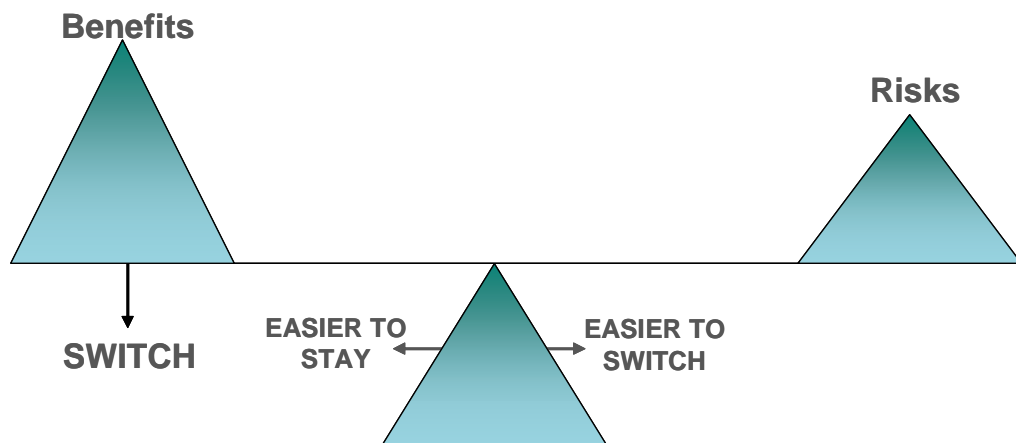


## CONFIDENT SWITCHERS

To contrast with the eight groups described above, all of whom are less likely than other customers to switch, and who are over-represented among vulnerable customers, we describe below and show the balance model for '*confident switchers*'.

We have identified such people in previous research for DTI and others and found a few confident switchers in this study.

### CONFIDENT SWITCHER



#### *Confident switchers:-*

- are aware benefits of switching often outweigh risks
- believe the switching process itself to be straightforward
- are usually internet users and confident how to look for information
- typically review their outgoings regularly
- are not usually interested in talking to door-to-door salespeople preferring independent sources and their own judgement
- are usually better-educated and not time-poor
- are proactive and reasonably tenacious by nature and willing to put up with a little hassle for financial benefits.

Where high proportions of customers have these characteristics, markets are more likely to operate effectively and competitively. These types of customers are often the diametric opposites of vulnerable customers and are greatly under-represented among vulnerable customers.

While confident switchers usually switch proactively there are also '*Open-minded*' customers who may lack the initiative to change supplier proactively but are willing to listen to sales reps.

If they do so, their balance model may then represent that of the confident switcher.

We did find examples of '*Open-minded*' reactive switchers among the vulnerable customers, and their willingness to talk to a sales rep may change them from, for example, a '*Lazy/indolent*' customer to a '*Confident Switcher*'.

## 9 INFORMATION SOURCES

**V**ulnerable customers receive information about the energy market in a number of ways:-



- information from their current supplier(s), typically in the form of letters, occasionally phone calls
- news stories, on TV, in the paper, and it is sometimes through these stories that they hear of energy companies raising their prices
- People such as Martin Lewis on the radio, dispensing valued financial advice
- advertisements on TV, radio, in the press, but few pay much attention to these
- a very small number proactively seek information by ringing energy companies, visiting their websites, or checking out price comparison sites such as uSwitch.  
*“The best way of doing it is going on the internet and looking at the prices of each company – that’s what I do” (Female Low income)*
- sales reps operating door-to-door or in shopping centres, but most customers are too wary to engage with them
- word of mouth through friends or family, but the subject of energy provider will not frequently be raised as it is seen as a mundane subject, only likely to be of interest if someone is experiencing problems or possibly if they have made a tremendous saving.

In four groups and in some of the depths where most/all used the internet we sought reactions to print offs from some of the price comparison websites.

Moderators explained that to compare prices people would need to enter on the price comparison site details such as their postcode, current supplier(s), amount paid for energy, and any preferences for payment method. Internet users did not generally regard this prospect as too onerous, although not all were sure how much they were paying for their bills.

Responses to the actual print-offs were somewhat muted, partly because the layout of the printoffs was not seen to be especially user-friendly. People could generally see that there were potentially major savings to be made, and some were surprised at the size of these. However, they were also somewhat nonplussed by the apparently wide range of suppliers and especially, by the variety of tariffs offered by each supplier. Also offputting was the fact that the company which appeared to be the cheapest provider was an unknown proposition to them as they were not familiar with the supplier name. Some would be deterred by the fact they had not heard of the company; others said they would check out its website.

The general impression was that a price comparison site could be neutral in its impact on vulnerable customers. On the one hand, it appeared to show that potential savings were significant; on the other, it suggested the decision as to which supplier and tariff to choose was more complex than customers had envisaged. Furthermore, some respondents suspected that energy companies could influence their position on lists like these through making payments to the site, and this reduced their confidence and interest in the information presented.

There was limited awareness of energywatch among the vulnerable customers surveyed, but some had mentioned energywatch without prompting, and even been in touch with the organisation. Even among some of those who had not heard of energywatch, there was an awareness that a consumer group was trying to stand up for the interests of customers such as themselves.

Almost all participants were shown examples of energywatch price comparison sheets which was usually tailored to the appropriate geographic areas. It was explained that such sheets would be sent on request to customers contacting energywatch. The sheets were not individually tailored to people's unique circumstances as was the case with the price comparison sites. However, reactions were generally much more positive, especially where people had seen the price comparison print-offs first.

However, not all reacted positively. Older non-switchers in Glasgow, for example, had very little interest in changing suppliers and found the sheet confusing rather than motivating. Showing prices for Standard, Economy 7 and Online tariffs confused some:-

*"It's not easy to understand it I don't think. Because how do you know whether it would put you in a standard or economy tariff, how would you know which one you were, would you just take it you were a standard?"*

Similarly, the terms 'standard credit' and 'prepayment' were not understood by all.

Also some wondered whether they were Low, Medium or High Users.

The sheets were not therefore particularly easy to understand for vulnerable customers, especially the elderly, the less well-educated and those who had had limited engagement with the energy market. However, overall they were very effective for many customers as they showed how much they could potentially save through changing suppliers and/or tariff.

There were a few adverse comments in the groups that with only a small number of widely know suppliers, who followed each other in terms of changing price, there was perhaps insufficient competition in the energy market. An elderly Surrey man even speculated that the six providers listed were probably owned by the same parent:-

*"The thing that still worries me where one company owns six companies, how can you compete if you're all the same company and they're putting them as six different companies. How can that be? "*

However, people found it much easier to compare prices when only six competitors were shown in a neat grid than when a multiplicity of companies appeared on price comparison sites. A single mother commented:-

*“You would presume that these were the top six companies so that’s when you wouldn’t entertain the others.”*

Some felt the switching process as described on the energywatch factsheet or on the price comparison site sounded straightforward, while others were a little concerned by phrases such as ‘agree a contract’. Some also felt giving your old supplier 28 days notice seemed rather a lot, though others found this reasonable.

Overall, the energywatch sheets could have been a little more user-friendly for vulnerable customers, although they were well laid-out and helpful to most. Interestingly, in a number of groups including older adults in Surrey, single mothers in Edgware and renters in Newcastle, participants surprised and impressed by the potential savings, asked to take the material away with them.

Some were particularly surprised by the huge savings available for online billing. This option was unattractive to customers who liked the reassurance of receiving, and knowing they would receive, paper bills, but some thought they might consider paperless billing if their energy company explained to them what would be involved.

Energywatch literature would be unlikely to influence groups such as ‘*Change Averse*’ and ‘*Older-Happy as they are*’, but it could help ‘*Overwhelmed*’ or ‘*Nervous*’ customers to switch with a little more confidence, and possibly to provide the motivation for the ‘*Lazy*’ customers.

Midlands

energywatch

23 January 2008

	Standard Rate					Economy 7 Rate					Online Tariff				
	Single Gas	Full Energy	Variable	ECOPower	Smart Meter	Single Gas	Full Energy	Variable	ECOPower	Smart Meter	Single Gas	Full Energy	Variable	ECOPower	Smart Meter
<b>Low User</b>															
<b>Gas</b>															
Direct Debt	£333	£346	£367	£217	£292	£267	£333	£346	£367	£217	£292	£267	£333	£346	£367
Standard Credit	£371	£383	£406	£217	£328	£284	£371	£383	£406	£217	£328	£284	£371	£383	£406
Prepayment	£411	£432	£462	£217	£323	£237	£411	£432	£462	£217	£323	£237	£411	£432	£462
<b>Electricity</b>															
Direct Debt	£227	£198	£212	£211	£198	£191	£306	£312	£308	£294	£232	£261	£192	£194	£212
Standard Credit	£238	£227	£233	£226	£217	£179	£303	£321	£302	£293	£230	£238	£192	£194	£212
Prepayment	£239	£227	£233	£226	£212	£195	£302	£321	£306	£293	£230	£239	£192	£194	£212
<b>Dual Fuel</b>															
Direct Debt	£346	£371	£394	£466	£496	£341	£385	£394	£384	£346	£342	£340	£413	£411	£411
Standard Credit	£365	£395	£416	£497	£531	£460	£370	£386	£376	£382	£352	£361	£460	£470	£461
Prepayment	£465	£506	£534	£536	£534	£322	£370	£371	£376	£338	£373	£338	£461	£461	£461
<b>Medium User</b>															
<b>Gas</b>															
Direct Debt	£568	£583	£608	£524	£534	£508	£586	£633	£606	£534	£534	£538	£484	£494	£529
Standard Credit	£686	£696	£673	£614	£610	£538	£608	£650	£627	£541	£531	£538	£540	£541	£538
Prepayment	£712	£696	£697	£619	£639	£579	£610	£680	£650	£566	£536	£579	£541	£541	£566
<b>Electricity</b>															
Direct Debt	£390	£354	£366	£336	£327	£338	£361	£446	£446	£397	£473	£466	£398	£410	£398
Standard Credit	£410	£365	£465	£370	£368	£347	£362	£406	£406	£365	£354	£351	£362	£410	£365
Prepayment	£430	£393	£478	£390	£390	£346	£362	£406	£406	£372	£468	£372	£362	£410	£393
<b>Dual Fuel</b>															
Direct Debt	£564	£542	£551	£682	£636	£491	£555	£516	£536	£508	£510	£521	£473	£510	£508
Standard Credit	£681	£594	£709	£719	£688	£537	£530	£517	£528	£530	£510	£531	£508	£593	£594
Prepayment	£717	£574	£714	£714	£694	£538	£517	£516	£533	£516	£516	£516	£516	£574	£517
<b>High User</b>															
<b>Gas</b>															
Direct Debt	£791	£827	£794	£736	£716	£752	£791	£857	£793	£736	£716	£752	£791	£827	£794
Standard Credit	£856	£820	£784	£732	£714	£715	£829	£853	£794	£728	£714	£71			

**Please find a breakdown of current prices for the main domestic energy suppliers for Gas, Electricity and Dual Fuel for your chosen region. There are three different types of tariff that are featured in our factsheets: Standard, Economy 7 and Online or Internet tariffs.**

### Make the Change

Once you are happy that you have selected the supplier and the price best suited to meet your needs, changing is a fairly simple process:

- Get in touch with the new supplier and agree a contract with them.
- Give your old supplier 28 days notice that you are changing to a new supplier. Do this initially by telephone and follow it up with written confirmation.
- Pay any outstanding bills owing to your existing supplier or they may prevent you from transferring.
- Take a meter reading on the day you change supplier so that your old supplier can work out its final bill or your new supplier can use it as the starting point for your first bill.

### Price Comparison Services

To obtain a free, impartial and comprehensive price comparison for all licensed suppliers in your area, use one of the internet price comparison services which are accredited to the energywatch Confidence Code: a voluntary code of practice for price comparison services.

These independent price comparison sites help thousands of households every month, to compare prices and switch to better deals. They offer a comprehensive service that compares your current supplier, tariff and usage with the tariffs on offer for all licensed suppliers in the UK, to help find the best deal for you.

They will include any special offers that are available and provide you with in-depth information on all the different types of tariff that are available and provide you with a free and easy to use switching service.

British Gas	0845 600 5122	<a href="http://www.house.co.uk">www.house.co.uk</a>
EDF Energy	0800 094 2270	<a href="http://www.edfenergy.co.uk">www.edfenergy.co.uk</a>
Eonpower	0845 120 1453	<a href="http://www.eon.com">www.eon.com</a>
E.ON/Powergen	0800 044 5045	<a href="http://www.enenergy.co.uk">www.enenergy.co.uk</a>
ScottishPower	0845 2700 700	<a href="http://www.scotspower.co.uk">www.scotspower.co.uk</a>
Scottish & Southern Energy	0845 7444 555	<a href="http://www.scotssouthern.co.uk">www.scotssouthern.co.uk</a>


### Please Note:

Our factsheets use only simple calculations to arrive at the prices we show, which are based on the information you have entered. We do not take into account the kWh unit rates used in the calculations for any of the tariffs we show, as there are to many variable options.

Whilst we do our best to make sure our information is as up to date as possible, we strongly recommend that if you are thinking about changing your energy supplier and would like to obtain a more comprehensive price comparison that service than we offer, then please use one of the Price Comparison Services.

Look out for the Confidence Code logo which is displayed on each accredited comparison site.

**energywatch**  
Confidence Code



energywatch is the independent gas and electricity consumer watchdog, providing advice and information about a range of gas and electricity issues. Phone: 0845 706 0708 Telephone 18001 0845 706 0708 (Dial or hearing impaired)

**www.energywatch.org.uk**

With energywatch's demise and the new arrangements for consumer representation, consideration needs to be given as to whether similar literature will be offered in the future and if so by whom. Clearly, this information could be potentially useful, although other sources, such as price comparison sites, already exist (although they are not good for those without internet access). The impression remains, however, that this will not persuade those hardest to convince to switch, and the information may be more useful to the less vulnerable than to the most vulnerable people in our research.

Other means of engaging with vulnerable customers need to be considered, such as strengthening links with organisations such as Age Concern and CAB, and helping ethnic, housing and other community groups to provide reassurance and information.

A Surrey man had already contacted Age Concern for advice about energy suppliers:-

*"She said who are you with and when I told her, she said stay where you are. You won't get a better deal."*

A woman in the low income Newcastle group suggested:-

*"My property I live in is Home Housing and every now and again they send you a book of what's going on, like gardening they could have (information on energy providers and prices) in there."*

## **APPENDIX SWITCHERS/NON SWITCHERS TOPIC GUIDES**



## OFGEM – SWITCHERS TOPIC GUIDE

### INTRODUCTION (10 MINS)

- Introduction – explanation of reason for research and of procedure / recording. Respondents to introduce themselves – family etc and which supplier/s for gas and electricity
- How long been with their current suppliers / which other utility companies have they had experience of
  - General views of their and other utility companies

### PAYMENT METHOD (10 MINS)

- And how do they pay for their gas / electricity – why that method? have they always paid that way or have they changed payment method at some point
- If changed payment method, what prompted them to do that – was it their choice – and did they expect that it would be a good move financially – how important was it to them to reduce the amount they pay for their gas / electricity or did they change for convenience (e.g. did they switch to direct debit so they didn't have to remember to pay bills or because they wanted to save money?)
- How easy was it to change payment method and how did they find out about what to do - has it proved to be a good move
- If not changed payment method, why not? (probe particularly for those who are not paying by direct debit) have they ever considered it and what advantages might there be
- And what about the possibility of moving to a different tariff with your existing supplier – has anyone thought about that or done that. If people have both their fuels from the same supplier, did they make this move on order to take advantage of the dual discount?
- What about the idea of fixed price deals – has anyone heard about these – who do they think might be offering them and do they sound like a good idea – what advantage would they expect to get from this
- And what about green tariffs – what do people think these might be – and is there any interest in these

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## CHANGING SUPPLIER (35 MINS)

- And what about changing gas and or electricity supplier – when did they last do this – have they switched more than once? – explore history of switching
- Do they also switch suppliers for other things such as credit cards, phone line, mobile phone or is their energy supplier the only thing they've switched? If applicable: why have they switched energy supplier and not suppliers for other things?
- What, more than anything else, was it that prompted them to switch the last time they switched energy supplier / what were they hoping to achieve as a result of switching supplier?
- Had they been thinking about switching for some time or was it a relatively sudden decision
- Thinking about the switch, who instigated it – did they actively seek to move and approach an alternative supplier or were they approached by the utility company – at home / at a supermarket / over the telephone / other way
- If they instigated the move, how did they find out who they wanted to move to – what sort of information did they want / need to know and how easy was it to find this sort of information. What helped them to decide which alternative supplier to move to
- What information was particularly helpful? — did they refer to any websites giving comparative price information. If so did they actually use the site to register their request to switch or did they just use the website to get the information and then contact the supplier themselves? Why? [NB for some deals it is not possible to actually switch via the site]

Have you heard of Energywatch? What do they do? LOOK AT EXAMPLES FROM WEBSITES ETC – How useful is this type of information? Is it easy to understand? Is there other information they would like or find helpful when considering switching?

- If they were approached / sold to, what information were they given and how useful was it – was the company they moved to able to answer all their questions / provide them with all they needed to know – what was it that they really needed to know?
- And thinking about the process of switching, how easy / difficult was it – was it organised over the telephone / over the internet or another way – were there any ways in which they would describe it as a hassle – enough to put people off ?
- From their experience, are there other ways in which the whole process could have been made easier / could be made easier in the future

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## OUTCOME FROM SWITCHING (20 MINS)

- From their experience, what would they say are the advantages – if any – of moving to an alternative supplier – how has it worked out for them – has it met their objectives or are they disappointed
- And what about any disadvantages? what is / might be the downside of switching supplier – what about their experiences and what about other people's that they are aware of
- So overall – having switched supplier / would they say they are satisfied / dissatisfied with what they have done – would they recommend others to do the same? Do you think you have got a better deal from switching supplier?
- And what about looking ahead – would they consider switching again in the future – why / why not – if yes – do they have a particular company in mind? - if yes why that company / if no how would they go about deciding which company to move to – what do they expect to gain from the move
- Most people look to change supplier / method of payment to save money – roughly how much of a saving is needed to make a move worthwhile – to compensate for the process - and do they think most people save what they expect to save?
- And what do they consider to be important – is it the price plus other things or is it convenience / service – other
- How confident are you that your current supplier/s offers you the best option for your circumstances – how do you know

## WRAP- UP (15 MINS)

- Some people switch quite often– some never do – why do they think that is – what do they imagine it is that stops some people doing what they have done
  - unaware of options
  - not convinced it is worthwhile / unlikely to save much
  - not sure how to go about it
  - fear that the process will be complicated
  - fear that something will go wrong and they will have problems
  - just not the sort of people who do this sort of thing
  - other reasons
- If they had to identify one thing more than any others which prevents some people switching, what would they say that barrier is
- So – how do they think these obstacles / that barrier could be overcome – what information would be most likely to persuade them

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- So – to sum up – what would they say is the key factor in encouraging people to switch supplier / payment method and what is the most important factor stopping them
  - Any other things about switching electricity / gas supplier that hasn't been covered

## **OFGEM – NON-SWITCHERS TOPIC GUIDE**

### **INTRODUCTION (10 MINS)**

- Introduction – explanation of reason for research and of procedure / recording. Respondents to introduce themselves – family etc and which supplier/s for gas and electricity
- What sort of image do they have of these utility companies – what sort of dealings – if any – have they had with them and for what reasons. How do they think their company compares with other utility companies – and which other energy suppliers have they heard of

### **PAYMENT METHOD (20 MINS)**

- How they pay for their gas and electricity – what do they like / dislike about this method of payment
- To what extent did they choose method /is this their preferred method / and to what extent was it the method suggested by the utility company.
- Thinking of all people's necessary outgoings, how does paying for gas and electricity rate – in terms of ease of paying / priority etc
  - how important is it for them to look at possible ways of reducing how much they pay for gas and/or electricity
- If it were possible, would they like to use a different method of paying for gas and/or electricity – and do they think it would be possible to make such change – why / why not? Have they ever thought about changing the way they pay for their energy bills before? Or that they may be able to save money by changing their payment method?
- If they think it is not possible to change payment method, why is this
- If possible – how would they go about it, and what has previously stopped them changing their payment method
- If anyone HAS changed payment method of their own choice, what did they change from and to? What prompted them to change? Why did they change? How easy was it to change? Do they think they did the right thing?
- And what about the possibility of moving to a different tariff with your existing supplier – has anyone thought about that or done that. If people have both their fuels from the same supplier, did they make this move on order to take advantage of the dual discount?

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- What about the idea of fixed price deals – has anyone heard about these – who do they think might be offering them and do they sound like a good idea – what advantage would they expect to get from this
  - And what about green tariffs – what do people think these might be – and is there any interest in these

## CHANGING SUPPLIER (55 MINS)

- What other changes could they make? ( at this stage do not spend too long talking about energy efficiency measures – that is not the purpose of the discussion) If switching supplier not suggested –say no one has mentioned that they might change their supplier for gas and/or electricity – are they aware that they do not have to stay with the same company/ how did they become aware If switching supplier mentioned as a possible move, what has previously stopped them from doing so in the past – probe in detail
  - do they know people who have switched energy supplier
  - why do they think other people change their energy suppliers
  - what has previously stopped them from switching
  - **if they have actually got as far as considering doing so in the past, what stopped them / how far did they actually get down the line / who were they going to switch to and what prompted that move (THIS IS A KEY ISSUE)**
  - if seen as a possible move but not one they have considered, why have they not explored it before
  - Have they changed their supplier for other things such as credit cards, mobile phone, telephone line? If so – why have they done this and not changed their energy supplier?
- What are the benefits of changing supplier? What would people expect to save, if anything? Would these be permanent or just short-term savings?
  - how would they decide who to switch to?
- So – what do they think might be involved in switching supplier – who would have to do what? how easy / complicated do they think it might be / how long do they imagine it might take
  - if complicated, what makes them think that – do they feel they know it would be complicated or do they just imagine it must be
  - do they know about other people experiencing difficulties – and if so how typical do they think such examples are
  - do they imagine that there are any risks involved in switching – what - and what is this view based on
- How many – if told that there were NO risks and that the whole process is really EASY – might be tempted to switch

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- if not, why not – what is stopping them
  - how easy / hassle free would the process have to be to make them consider it
  - how much money would they have to be convinced they would save before considering it
  - Have they heard of Energywatch? What does Energywatch do?
  - **SHOW EXAMPLES OF RELEVANT PRICE COMPARISONS** – at what point do the possible savings become attractive
  - Do they think that there are some people who just like to do things like changing suppliers and others who are generally less keen to do so – and why do they think that is - is it because
    - they are more cautious
    - have less time
    - prefer to stick to what they know
    - other reasons
  - If they were to want to switch, how would they find out what they needed to know
    - from existing supplier
    - from friends etc
    - from internet – what sites
    - from press / other media
    - from energywatch
    - other
    - no idea
  - **SHOW EXAMPLES** – and how helpful would information such as this be in persuading people to switch? What extra information/materials do they think they would need to switch?
  - For some deals you can switch using a price comparison website. For other deals, particularly if you use a Pre- Payment Meter, you can only get the information from the price comparison website and you then need to phone or write to your chosen new supplier to make the switch. If you couldn't use the website to make the switch would this make any difference to whether you decided to switch or not?
  - Have they ever been approached by an alternative supplier – how did they feel about that – is that a good way for companies to try to encourage people to move to them
    - if not, how should it be done
  - Once the first approach had been made, what would/should happen next
    - and how could this process be made easier

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- In what other ways do they think the process could be changed / improved to encourage more people to change – what else
  - How confident are they that their current supplier(s) offers them the best price option – what is this view based on

### **WRAP – UP (15 MINS)**

- Having discussed ideas for switching – both method of payment and supplier – how likely is it that they might consider switching – if some interest what – of all the things talked about in the group – has made them feel they might do this. And if still no interest, what – if anything – might change their mind
- What overall do they think is the one thing which is most likely to persuade people to switch, and conversely what – more than anything else – is stopping people from doing so
- Any other thoughts about switching either supplier or method of payment