

OFGEM

**RESEARCH ON NON-VULNERABLE CONSUMERS' ENGAGEMENT
WITH THE ENERGY MARKET**

REPORT



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REPORT

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As part of its Consumer First initiative, Ofgem commissioned FDS International to undertake two programmes of qualitative research, the first among vulnerable energy customers, the second a mirror-image study among non-vulnerable customers.

The first study conducted in January/February 2008 comprised eleven focus groups and ten depth interviews with various categories of vulnerable customers. The second, carried out in April and May comprised ten focus groups encompassing a broad spread of locations, ages and social grades although the most disadvantaged households were excluded. Both studies covered customers who had switched energy supplier recently, those who had changed but not recently and those who had never switched.

While there were many differences in the profiles of vulnerable and non-vulnerable customers, and differences in emphasis in their attitudes, their behaviour and reasons for that behaviour there were many consistent themes. Key results from the initial work among vulnerable customers were often echoed among non-vulnerable customers.

For a market to be operating effectively, there must be genuine competition between suppliers, and 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 comprehensive.

For some individuals, the energy market does operate like that. These consumers have the time, confidence, knowledge and motivation to research the best deals in the energy market, often through online price comparison sites. Such customers have found the switching process itself to be straightforward, not too onerous or problematic.

We found a few people such as these among vulnerable customers and slightly more among non-vulnerable customers. But such proactive, confident people who regularly review and consider changing energy providers accounted for only a small minority of the consumers we spoke to, particularly the vulnerable.

While we found the same barriers to switching supplier among vulnerable and non-vulnerable customers, on the evidence of these qualitative studies, there are major differences in the importance of different reasons for not switching among the vulnerable and non-vulnerable.

Reasons for not switching linked to risks or difficulties associated with switching, are especially likely to influence vulnerable customers.

Key barriers to switching that particularly affected vulnerable customers, although some non-vulnerable customers were also influenced, included:-

- fear that something may go wrong if they switch
- loyalty to existing provider.

Lack of knowledge or confidence also deters some non-vulnerable customers from switching but younger customers especially, appear to be less inhibited in this regard.

Similarly younger non-vulnerable customers are much less likely than vulnerable customers to express fears that something may go wrong if they switch. Most people who switch suppliers experience no problems and only minor hassle. Younger respondents appeared less aware of or pre-occupied with the difficulties a minority of switchers have experienced.

A few of the vulnerable and non-vulnerable customers had had bad experiences, such as receiving bills from old and new suppliers, when they switched. Some had had to wait a long time to make their first payment, which then proved to be a large one.

More are able to recall bad experiences or problems encountered by people they know (or friends of friends) who had switched and some were greatly influenced by such incidents. Vulnerable customers often feel they are poorly placed to recover from incurring unexpected problems or expenses. Confusion over payments might cause minor irritation or hassle for a non-vulnerable customer; but a vulnerable customer could experience considerable anguish and long-term problems if confronted with a large bill as a result of underpaying for their energy in the months immediately following a change of supplier or payment method.

Among vulnerable customers loyalty to an existing provider was sometimes based on good service or experience of the incumbent, but sometimes based on its name or origins (for example SCOTTISH Power, or BRITISH GAS) or on mistaken or naïve views of the service they might expect from a competitor.

One of the striking features of the research among non-vulnerables was how little genuine loyalty there was to existing long-term suppliers. While some customers described themselves as 'loyal' by virtue of the fact they had never switched, their spoken attitudes suggested passivity or resentful acquiescence rather than a positive, enthusiastic loyalty for their existing provider.

Some barriers to switching applied roughly equally to vulnerable and non-vulnerable customers:-

- passivity or laziness on the part of the customer (or a 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 service may be poorer if one switches supplier (although this was a little more likely to be a critical factor for vulnerable customers)
- dislike of talking to sales reps and fear of being pressured (with vulnerable customers being especially likely to worry about what might happen as a result of talking to reps).

A few of the reasons for not switching applied particularly to non-vulnerable customers. In particular, the belief that the savings achievable through switching, would be small and temporary, was found especially among these customers, including some of the most confident and better-informed consumers. They argued that prices fluctuated between the major suppliers to the extent that the company which is cheapest at a moment in time may be one of the dearest suppliers a few months later. The expectation that prices would fluctuate was a major argument against shifting. If switching suppliers involved no or virtually no effort, the short-term nature of the possible savings would be less of an issue, but even those who regarded switching as reasonably hassle-free thought it would involve some effort.

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.

But the in-built bias towards the incumbent supplier is not the only problem within the energy market. Most customers are aware that energy prices have tended to rise over the last three years. Most non-vulnerable consumers and many vulnerable consumers have heard that the price of gas and electricity is linked to the price for oil which has been rising, but some are highly sceptical as to why there should be a close link between prices of oil and gas.

In virtually all groups we found a degree of cynicism, disillusionment and mistrust (though very little genuine anger) towards energy companies. This mistrust and cynicism was often not articulated clearly yet undoubtedly existed. Sometimes mistrust manifested itself in suggestions that energy companies are all the same; they do not care about helping customers reduce energy bills but simply want to make money. And there were adverse comments about energy companies' profits, some observing energy companies were making large profits while raising prices.

The most cynical individuals tended to be middle-aged non-vulnerable customers and in these two research programmes the more cynical groups were in Scotland, northern England and the Midlands rather than Wales or Southern England. In the most disillusioned groups comments were made on the way in which companies follow each other with similar price increases and there were a couple of suggestions that this indicated price fixing.

Another area of concern is that the poorer, more vulnerable customers often pay bills through payment methods, most typically pre-payment meter but also standard credit, which mean they often pay more for their energy than had they paid by direct debit, the payment method often favoured by more affluent, non-vulnerable customers. Many of those on pre-payment meters claim 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, some group participants expressed concern that a payment method favoured by or imposed on many of the less well-off, including those with no bank account, can work out to be much more expensive than those favoured by the better-off. Furthermore, the need to change cards or meters, coupled with a perception that energy companies were less interested in pre-pay customers than those paying by direct debit meant some PPM customers thought it could be more difficult for them to switch than those paying by other means.

People were often surprised, even shocked, at the size of the price differential by payment method when they saw energy market literature towards the end of their sessions.

Most energy customers have stuck with the same method for many years, and those aware they could save money by switching are often nervous at the prospect of making a change. Where customers had switched payment method, some had encountered problems, for example, moving on to direct debit but going into debt as the level of payment was set too low.

Those on direct debit were usually aware this was the cheapest option but they were not immune from problems:-

- it had not occurred to a divorced women whose ex-husband had previously sorted out bills to ask for money back when she ran up a surplus of over £570 with her energy company – and they did not even suggest a reduction in her monthly payments
- some had found payment levels set too low so ended up owing money to their supplier, and a few suspected this situation had been engineered deliberately to make it more difficult for them to switch.

Very few vulnerable but rather more non-vulnerable customers were attracted by the idea of online billing. However, between the two phases of research, companies had adjusted their prices so that online billing was not quite as attractive an option when non-vulnerable customers were surveyed.

There was limited interest in and a degree of cynicism concerning 'green' tariffs. But a few consumers expressed a strong preference for green tariffs without really understanding what these were.

Most of the vulnerable customers who had switched energy suppliers had done so reactively, in response to contact with a salesperson. Many vulnerable customers lack the confidence, knowledge or initiative to switch proactively; that is to seek out, find, evaluate and sign up to alternative energy providers.

Among non-vulnerable customers we found fewer switchers dependent on contact with a salesperson to change companies. Yet even among those switching proactively we found most interacted only partially with the market. Relatively few sought the cheapest supplier from the internet or through calling suppliers to check out prices. A more common approach was simply to switch to a supplier recommended by friends or relatives or possibly one they had seen advertised, although people switching in this way sometimes also checked on the internet that they were getting a good deal.

Salespeople have played a crucial role in encouraging people to change suppliers. They have helped vulnerable and non-vulnerable customers who would not otherwise have changed supplier to do so, usually making short term savings, at least, as a result.

However, they have also encouraged people to make poor decisions. For example, a non-vulnerable customer switched away from a very beneficial contract with one company only to find her new company ended up more expensive. When she switched back to her original company she lost the benefits of her original deal.

Many of those surveyed believe sales reps make misleading claims in the hope of clinching deals. The persistence of sales reps had led to many vulnerable and non-vulnerable customers refusing to speak to them, so a potential source of information is lost. This is a particular issue for vulnerable customers as they are less likely to investigate the energy market themselves.

Customers tend to underestimate the potential savings available to them through changing payment method or supplier. This was especially true in January/February when vulnerable customers were surveyed, as over the next three months there was some equalisation of tariffs and relative prices. Differences were not as great when non-vulnerable customers were researched.

Most people found energywatch price comparison sheets helpful, although they were not always clearly understood by vulnerable or non-vulnerable customers. They were effective in communicating to vulnerable customers especially that price savings could be substantial and some of those who attributed their lack of switching to laziness were motivated to at least consider switching.

Vulnerable customers, relatively few of whom were internet-savvy, generally found print-offs from price comparison websites to be less helpful with the wide range of suppliers and tariffs listed thought to be confusing.

Some non-vulnerable customers reacted similarly, but internet-savvy non-vulnerable customers who visited other price comparison sites tended to prefer price comparison site data to that provided by energywatch. The price comparison data were liked because they could be individually tailored to each person's circumstances – though some were put off because they did not know their annual consumption or expenditure.

While some non-vulnerable customers regularly checked price comparison sites out of interest or to check they were not getting a poor deal, very few used these to choose between suppliers and then switch to their preferred provider. Even among non-vulnerable customers, more switched to a company recommended to them than one they chose because of its position in a price comparison table.

We identified a number of attitudinal/behaviour segments amongst those who had never switched or had only done so once or twice several years earlier.

Two similar groups were '*Happy as they are*' and '*Change Averse*'. In both groups customers felt they were managing satisfactorily as they were.

The first group comprised mainly elderly, often vulnerable customers who expressed generally positive attitudes about their supplier and situations. '*Change Averse*' customers were spread across all age groups, but especially likely to be vulnerable customers. Their reasons for not switching were sometimes expressed in more negative terms relating to possible consequences if they switch.

'*Uninterested*' customers share similar characteristics and often have low energy bills or their energy bills account for a small proportion of total outgoings. They may live in temporary rented accommodation so saving money through changing energy supplier is an extremely low priority for them. Young people living in small properties with low energy bills whose priority is paying the rent or mortgage may fall into this category.

We found *'Loyalists'* among vulnerable customers but relatively rarely among the non-vulnerable. They may have positive reasons for staying with an existing supplier who has provided excellent service who has proved flexible regarding payments or who has offered some kind of loyalty scheme. For example, we found a couple of customers who had very good experiences of British Gas's Central Heating Care and were keen to stick with British Gas as an energy provider, not appreciating they could change energy supplier while retaining Central Heating Care.

Ironically we found customers who were discouraged from switching because they always found it a hassle to contact their existing energy supplier.

The segments described above are unlikely to switch. Somewhat 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'* found particularly among vulnerable customers who worry about what could go wrong when and after they switch
- *'overwhelmed'* customers may also worry – and many worry about switching to the 'wrong' supplier. These are found mainly among vulnerable and non-vulnerable customers in the 30-64 age range. They struggle to make a decision as to whether to switch, and if so to whom.

Both segments are likely to be more willing to explore options than those who, often on their own admission 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.

Certainly, non-vulnerable younger adults who might normally be too lazy or uninterested to contemplate switching, if they were encouraged to think about the issue, would not normally be inhibited from switching.

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. These were often vulnerable customers.

Research among non-vulnerable customers suggested a possible ninth segment of non-switchers. *'Rationals'* agree that switching is pointless as any savings are likely to be very short-term.

They are similar to other groups such as *'Overwhelmed'*, *'Uninterested'* and *'Too/lazy'* but they tend to be better-informed and more confident by nature.

For the energy market to operate more effectively in the interests of all customers especially those who are vulnerable:-

- 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
- the 'greenness' of 'green' tariffs needs to be monitored to ensure well-meaning consumers are not misled
- 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
- customers should not be deterred from switching by the expectation that it will be difficult to contact their current (or the new) supplier
- easy to understand pricing information should be available through a variety of channels and not restricted to internet
- Ofgem should work closely with sources of financial information such as the press and Martin Lewis to ensure accuracy of information and to encourage them to continue educating energy customers
- groups such as Age Concern, CAB and community groups can play a role in informing vulnerable customers of the options open to them
- energy companies should be encouraged to help vulnerable customers through reducing the degree of differential pricing which discriminates against PPM customers
- the link between the price of domestic energy and the price of oil on international markets needs to be broken or weakened – or at the very least energy companies need to provide clear arguments and evidence of the reasons for the link.

Stephen Link
Director

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APPENDIX
TOPIC GUIDES

1 BACKGROUND

Ofgem is the regulator of the gas and electricity markets in Great Britain. It has a statutory duty to protect the interests of all gas and electricity customers, and to ensure that the market is working satisfactorily for everyone.

As a result of rising wholesale prices, all major energy suppliers increased residential energy tariffs during the first quarter of 2008. The wholesale gas price has continued to rise since then, and for the second half of this year is expected to be double that experienced during the second half of 2007.

The current outlook for gas prices obviously creates a challenging environment for energy suppliers, and a worrying one for consumers, especially those who are already struggling to pay increased bills, not only for their energy supply.

Ofgem will continue to monitor how the market is working for consumers.

At a time of such sharply rising prices, one option for consumers is to switch their energy supplier, and/or their payment method in order to take advantage of possible savings by doing so. Many customers do switch company successfully, but there continue to be examples quoted of dubious sales practices which reflect badly on the company involved and the industry.

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 all customers. Some may be out of touch with recent changes in the energy market, or unaware of their options. This is particularly the case with the elderly. In addition, those with low levels of literacy and numeracy are also likely to struggle to understand the relevant information. On the plus side, representatives from energy companies may give people knowledge, but this knowledge is often highly partial and many potential customers are unwilling even to talk to reps.
- customers must believe that the ability to switch exists for them, and this is a particular issue for customers in debt to their current suppliers
- they must know how to switch, or be willing to have the process explained to them
- customers must be convinced of the benefits of switching. In particular they must believe they will save money or possibly obtain better service, though service is usually a secondary consideration when deciding to switch supplier. In terms of saving they must believe they will save an adequate amount over a sufficiently long period to justify switching; if they believe any likely savings will be only temporary, they will be less likely to see any benefit in changing supplier.
- 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. Many customers are aware of stories of problems caused by poor selling methods and may even have encountered problems themselves. Some are concerned about the possibility of receiving bills from their old and new provider.



Ofgem was keen to gain better understanding of how customers engage with the energy market, and the issues they face in doing so.

Early in 2008, Ofgem commissioned FDS to undertake a large-scale qualitative project designed to explore the switching behaviour among a range of vulnerable customer groups, to understand more clearly what barriers and triggers to switching exist and to discover what would help to remove or overcome these barriers.

That programme consisted of 11 focus groups and 10 depth interviews, with the following categories:-

- elderly people
- low income households, with one group specifically of low income single parents
- renters
- those with low levels of literacy/numeracy
- people with limited English / those for whom English is not their first language
- people with disabilities, to include hearing, visual and mobility impairment
- those with no bank accounts.

The research was conducted in different areas of Britain, in both urban and rural locations, and whilst the emphasis of the research was on non-switchers, the sample was designed to include some switchers.

A high proportion of vulnerable customers pay for their energy by pre-payment meter, which means that they are often paying more for their energy than other, more affluent customers. Many prefer this method of payment, despite often being aware that they are paying more than would be the case with other payment methods. It is a method which suits them as it allows them to budget and to avoid large bills.

That survey showed that among vulnerable customers, the main barriers to switching are:-

- 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 particularly prevalent among vulnerable customers who do not feel well placed to recover from 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.

Many customers, not just the vulnerable, lack the confidence, knowledge or initiative to switch proactively ie to seek out, find, evaluate and sign up to alternative energy providers, but this is particularly true of vulnerable customers.

However, in the energy market, much switching is reactive, in response to contact with a salesperson, so 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 who took part in this research, 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.

Following this research among vulnerable customers, Ofgem wished to repeat the work, but this time with standard groups of non-vulnerable customers. This study was designed to complement the qualitative work among vulnerable energy customers, and explore the extent to which the same triggers and barriers to switching apply.

This report presents the detailed findings from this latest research among non-vulnerable customers, but where appropriate comparisons are made with the vulnerable customer research, and the management summary and typologies of non-switchers are based on both projects.

2 OBJECTIVES

The specific objectives of this research were to:-

- explore the key triggers which persuaded customers to change their current payment method/supplier
- understand customers' awareness and knowledge of the energy market and the options open to them
- investigate the barriers, both real and perceived, which might prevent them switching
- explore how the switching process could be made more attractive/easier/more accessible.

3 APPROACH

The composition and location of the 10 focus groups was as follows:-

Category	Age	Social Grade	Location	Type
1. Single/divorced/separated/widowed people	Under 35	BC1C2	London	Mainly switchers
2. Childless couples	Under 35	BC1C2	Newcastle	Mainly switchers
3. Couples with children at home	25-49	C2D	Walsall	Mainly switchers
4. Couples with children	25-49	ABC1	Dumfries, Scotland	Mainly switchers
5. Childless couples	35-54	C2D	Swansea	Mainly switchers
6. No children at home	55-74	ABC1	London	Mainly switchers
7. No children at home	55-74	C2D	Wimborne, Dorset	Mainly switchers
8. Single/divorced/separated/widowed	35-54	BC1C2	Wimborne, Dorset	Mainly switchers
9. Non-switchers	45+	BC1C2	Walsall	Non-switchers
10. Non-switchers	Under 45	BC1C2	Newcastle	Non-switchers

All groups were mixed gender, and most consisted entirely of home owners, except for groups 1 and 2 which included several renters.

Groups 9 and 10 were limited to people who had never changed energy supplier (except when changing as a result of a home move or their supplier changing name). The mixed switcher/non-switcher groups all included at least two people who had never switched their energy supplier, and at least two very recent switchers. In practice, most had changed their supplier even if only once or twice.

Across the groups there was a wide range of energy suppliers, and a mix of payment method, although amongst these consumers (unlike the vulnerable groups), direct debit was the most common method of payment.

Groups 4, 7 and 8 were limited to people living in rural locations, the other seven groups were urban or suburban.

As is normal market research practice, cash incentives (£30-40) were used to secure co-operation.

Slightly different topic guides were used for the two non-switchers' groups and for the eight mixed groups.

During the sessions, which ran from 24 April to 1 May, respondents saw energywatch price comparison data linked to their own region and data from price comparison sites (usually saveonyourbills.com) again linked to their own part of the country.

Discussions lasted 90 minutes and were audio-recorded and transcribed. The three moderators, Stephen Link, Sue Gibson and Caroline Armstrong, had also worked on the research among vulnerable customers.

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.



In the energy market, people do switch suppliers and the increases in numbers changing suppliers following price rises arguably indicate that the market is operating quite well, with customers switching away from providers perceived to be expensive.

In both phases of research we deliberately recruited people who had switched supplier (including some very recent switchers) as well as those who had never done so. This sometimes caused problems as a few individuals struggled to remember whether they had switched (particularly if their partner had played the major role in checking out other suppliers).

Similarly, if family members helped them make a switch, elderly customers were especially likely to have forgotten the details.

Sometimes people only remembered a long-forgotten change made several years earlier when prompted. Company name changes or amalgamations had confused some – especially the elderly.

However, most of those who had switched especially recent switchers had clear 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.

Serial switchers were fairly rare among the vulnerable customers surveyed but we found more among non-vulnerable customers.

Serial switchers fell into three distinct categories:-

PROACTIVE

switchers who engage with the full market; these confident, interested individuals check out better deals across the energy market and switch when they feel it is appropriate to do so

PROACTIVE (BUT LIMITED)

switchers, they switch in response to particular issues (such as poor service from their existing supplier), or recommendation from others or even advertising, but tend to switch to a particular company without necessarily comparing prices across the market

REACTIVE

switchers who change repeatedly in response to calls/visits.

The first two groups of customers were more prevalent among non-vulnerable than vulnerable customers.

The demographic and behavioural profile of the confident proactive switchers was:-

- predominantly, but not exclusively, ABC1
- usually confident and frequent internet users
- and comprised people who felt confident they could save themselves money with a modest and acceptable degree of hassle.

They covered a spread of ages but were less likely to be under 30. None of the non-vulnerable customers surveyed were over 75 so we cannot say whether we would find proactive switchers in this age group but other findings suggest the numbers might be very few.

Confident proactive switchers will seek out better deals, sometimes following a price rise from their own supplier or possibly as a result of a sales rep calling (even if they do not take time to talk to the rep), at other times simply because they expect to make savings. They may regularly review what they are paying relative to other companies by checking out prices on price comparison sites.

These switchers are confident and proactive and are very different in attitudes and behaviour from the vast majority of vulnerable customers. But even among non-vulnerable customers we found few people who engaged with the energy market to this extent.

A 25-49 year old C2D Walsall male who found switching online very easy was mystified why more people did not do likewise:-

“That attitude towards not changing supplier amazes me when you actually look at how much money you could save over a year by clicking a button on the internet and having no other input apart from that. They do all the paperwork, they do absolutely everything for you and I was saving up to £500 a year by moving. It was untrue. The amount of money we could save was unbelievable.”

We found rather more customers who had switched suppliers several times and had done so without dealing with sales reps – but had switched to specific suppliers without selecting from a range of providers.

These individuals were:-

- again spread across the age groups, but probably a little younger on average than the first group
- mainly ABC1C2.

Sometimes the motivations for different switches varied. So among vulnerable and non-vulnerable customers we had examples of customers making several switches, sometimes in response to poor service by their existing supplier, sometimes to get a better deal elsewhere. For such consumers, the energy market does appear to operate competitively, even if they are not checking all suppliers' prices before choosing a new provider.

When they talked about people they knew who switched a lot, vulnerable customers tended to talk about people switching reactively in response to reps visits, and were sometimes slightly contemptuous suggesting such people were easily persuaded.

Non-vulnerable customers were more likely to know people who switched proactively, often studying the market to take advantage of savings. They sometimes viewed such people with grudging admiration for being willing to make the effort to get the best deal. But sometimes such switchers were viewed as penny-pinching making extreme efforts for the sake of modest short-term savings.

People were more likely to find better deals in other markets. So most shopped around for home and car insurance quotes. Younger adults especially, were more inclined to seek out and compare deals on mobile phones because the market was more interesting and involving to them than energy. So the lack of frequent switchers in the energy market is not simply due to most people being passive and unwilling to make efforts to save money, but is partly a reflection of the subject being uninteresting to most and confusing to some. A female non-switcher in Newcastle commented:-

"I think it's easier to understand something like a mobile phone. It's dead clear. How much it is for that, whereas you look at the gas, for me, the gas bill, it comes through and then it tells you to work out your usage and things. You've got to multiply it by so many, then divide it by so many and then it's saying that's it, for the number of therms, there it is."

While many people switch once or twice in response to a rep visit it is less common to find people who switch frequently to different suppliers in response to reps calling or visiting. We found very few vulnerable or non-vulnerable customers acting in this way.

However, one C2D Walsall woman admitted:-

"We had a lot of people knocking on the door asking us to transfer saying that their rates are cheaper and different things. And people knocking on the door constantly wears you out so you just end up transferring."

More typically, especially among non-vulnerable customers, those who switch regularly may have done so the first time in response to a rep visit. Thereafter they felt able and preferred to switch themselves rather than to sign up to a doorstep sales rep.

When people were asked what potential savings they would need to make switching worthwhile customers tended to initially talk about:-

- savings per year
- or monthly savings (especially if they were direct debit customers)
- or sometimes savings were expressed as a percentage.

Those on pre-payment meters were more likely to think and talk about how much they spent per week.

To most people, savings of £100 a year initially sounded worthwhile, whereas saving £2 a week seemed trifling. Sometimes it seemed as if those too lazy or worried to switch were rationalising away potential savings by telling themselves and/or others that if they were to save £100 a year this only represented £2 a week. Similarly £50 a year sounded much more than £1 a week.

“It sounds better how she said, £150 a year sounds like a good saving to the £3 a week doesn't it, even though it's the same it just sounds better.” (Female, 25-49, Walsall)

A Wimborne man explained why he would only consider switching if savings were at least £200 a year:-

“It's hassle really...why should I change? It's settled. Everything's sorted, for saving a pound is it worth it?”

People are more likely to be persuaded to switch if they think in terms of annual savings. Customers varied enormously in terms of what savings they considered might justify switching, the amount of money being determined by:-

- their financial situation
 - but this was less important than might be expected with some affluent consumers expressing greater interest in savings of £100 a year than much poorer consumers; indeed one of the major surprises when surveying poor vulnerable customers was how some of them expressed no real interest in sizeable savings of £100 a year
- their level of interest in the market
 - with people interested in the way the energy market operates being more likely to consider switching suppliers.

One Swansea woman suggested, perhaps surprisingly, that as prices had risen so high she would need to save a bigger sum in absolute terms to justify switching:-

“I don't think £100 is a big saving when you think how much your gas and electric is costing.”

Having found the process of moving to a different provider to be reasonably stress-free switchers who felt they had made savings were often inclined to switch again. Younger adults especially, were willing to consider switching again.

However vulnerable and non-vulnerable consumers who encountered problems or failed to make savings when they switched were often disinclined to do so again.

A non-vulnerable Wimborne woman who was persuaded by a sales rep to switch from her existing provider was particularly disappointed. She found her new provider was more expensive than expected so she reverted to her original supplier only to find she was no longer on the beneficial contract she had previously signed up to.

Many one-off switchers had done so in response to a doorstep visit but among younger ABC1s, especially, we found people who had switched only once or twice but had done so proactively.

For example, a young London woman had compared prices online and found British Gas to be competitive. Her family had always been with British Gas and she found friends with British Gas were paying less than her so she felt comfortable switching. While her research was partially flawed – she thought she could only have a Central Heating Care Contract if she was with British Gas – she had taken independent steps to check out whether she was right to switch and was very happy to have done so.

Younger, more upmarket adults were more likely than vulnerable customers to want and to be able to do independent research to check out whether or not they should switch and to whom.

5 ROLE OF SALES REP

When the energy market was liberalised the role of sales reps was key in ensuring that people did take advantage of the savings afforded through switching supplier. As many people, especially those who are passive and less well-educated, are unlikely to make the effort to switch off their own bats, the role of the sales rep is still important. At the time the energy market was liberalised a consumer who was with British Gas for gas and with their original Regional Electricity company for electricity would normally expect to make savings if they switched through a doorstep sales rep. The situation is no longer as clear cut as some customers could end up paying more if they were to switch when sales reps call.

Most people are reluctant to talk to sales reps and usually very mistrustful of what reps tell them. Their information is thought likely to be partial or incomplete, if not downright dishonest.

They are widely criticised for being too pushy and persistent and there is a widespread suspicion that they target the elderly and those who find it difficult to understand information and to say 'no'. The Dumfries group was not alone in suggesting salesmen targeted vulnerable older women:-

"They can obviously pull the wool over your eyes and I don't think it benefits some of your little, old grannies who get bamboozled by the spiel."

A Swansea woman reported how a sales rep put pressure on her elderly, confused mother:-

"My mother's 83 and her memory's gone. And they came round and they sort of said to her we can save you money and all of this, and she said, 'I'll have to speak to my daughter'. And they said, 'what do you mean you have to speak to your daughter? Can't you make a decision for yourself? 'Oh no I've got to speak to my daughter about it, I can't do anything without my daughter', which is fair enough. But you can see how they get older people and perhaps people who are not quite with it, to change."

An Asian man in Walsall, whose wife had limited English, was incensed when a sales rep persuaded her to sign something:-

"Somebody knocked on my door and they asked my wife, saying (our company) is cheap and everything like that. And she said, no I'm not interested. My husband's not here. Anyway I have to speak to my husband. So he just said, could you just sign this madam saying that I actually have visited your property. So she just signed it. And the next thing is we got a letter from (my supplier) apologising to us for whatever, if they've caused us any inconvenience, we're so sorry you left us. And it's like no we didn't. So I phoned them back again and I said, hold on a second I haven't left (my supplier). I called (the new company) again. And they said no but we got a signature here from your wife. I started to swear and I said, look forget who my wife is I said. I'm the man in the house. So he said yeah you can give me your gas and electric I said, believe me I ain't paying nothing at all. I said no I'm not paying a single penny to you because I am not with you I'm with (my original supplier).

.... And just for those 3 weeks it came in my wife's name. I said I ain't paying for this because we didn't sign, my wife did not sign for it. This person said sign this to say that we've visited the property, so my boss knows I've been there doing my job. So what they done was very wrong and I said if you don't stop this now I'm going to the press. So then everything was back to normal, for a couple of weeks everything went back to normal."

Of course, many people were hard to persuade to switch. This Walsall woman had never switched, and while she did not rule out doing so, if she did, it would not be in response to a salesperson's visit:-

"I think as well if you want to change you do it yourself. When somebody just knocks on your door you're not going to say 'oh all right then I'll change'. If you're going to do it you decide to do it and you do it your own way don't you. You don't wait for somebody to come and knock on your door."

While doorstep selling was generally considered more intrusive than reps working in a shopping centre, these too could be thought to be too pushy, especially where older women were concerned. In the Newcastle group of non-switchers a woman reported how upset her mother-in-law had been as a result of signing up to a rep when shopping in Wallsend:-

"She rang me in a terrible state and she said 'I've done something terrible'. 'What have you done?' I've signed this thing and I don't know what I've signed. Something about the gas and electric or something'. She signed to change her gas and electric. She said she didn't really want to, he said I should just sign and then think about it and I could just ring up and change it in 14 days or something'. Basically she'd said 'no', but they've made her sign and she felt pressurised to sign. I rang up and complained and I got it stopped but then I complained, whether something was done about it or not, I don't know."

6 BARRIERS TO SWITCHING

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

- 1) The size of the perceived benefit (usually financial) to be achieved through switching.
- 2) 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.
- 3) 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.

Major barriers to switching therefore centre around:-

- 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
- perceived or actual lack of opportunity to switch or perception that switching will be very difficult.

BALANCING RISKS AND BENEFITS

Among non-vulnerable customers lack of perceived financial benefit (or lack of permanency of benefit) was the major inhibitor to switching. A middle-aged Wimborne man spoke for many when he questioned how long a new deal would prove to be a good deal:-

"My main concern is, I mean it would be great then but how quickly would that be different? Would it be the same next week even or two or three months down the line? Because it seems to change so quickly, how would you know that someone that's good now are always going to be good?"

People expressed such doubts in the early discussions, and often continued to do so when shown price comparisons towards the end of their sessions.

Perceived difficulties in switching played a much smaller role.

In terms of risks non-vulnerable people were less likely to anticipate poor service after switching or to be concerned about adverse consequences as a result of switching. However, they were worried about the prospect of price increases from their new supplier in absolute terms, but more importantly, in relative terms. They were concerned that a provider which was the cheapest or one of the cheaper suppliers in one month may become (one of) the dearest a few months later because of price increases by that supplier or price reductions by others.

Likelihood of switching was often determined by consumer perceptions of:-

- the degree of effort involved in securing the saving – and again individuals varied greatly in how much effort they were willing or able to expect to save money
- the likely permanence of the saving, and in a market where prices were thought to be volatile, with prices charged by individual suppliers moving relative to each other this was a major deterrent to switching for many consumers especially the non-vulnerable.

Apart from the risks of the new supplier putting up its prices, non-vulnerable customers were not generally too concerned about other risks associated with switching. They were sometimes critical of energy providers in terms of speed of answering the phone but did not worry greatly about likely quality of service. However, there were exceptions.

Smaller, less well-known suppliers were a cause of concern to vulnerable and non-vulnerable customers. Some felt smaller, newer companies were less able to deal with future problems than big long-established providers. A couple of respondents questioned whether an unknown and presumably smaller supplier such as Atlantic would run out of gas.

Those who express such concerns should not be dismissed as naïve. A Walsall woman reported switching to a telecom provider who then went bankrupt so people feel they have cause to mistrust companies they have never heard of.

A few vulnerable customers (mainly those with disabilities) reported very positive experiences with their current supplier and hence were reluctant to switch away.

But sometimes loyalty was based on misconceptions, so we found instances of non-vulnerable customers continuing to have their energy supplied by British Gas in the mistaken belief that they would be unable to retain their much-appreciated Central Heating Care if they switched energy provider.

One of the striking features of the research among non-vulnerable customers was that so few appeared to be genuinely loyal on appropriate grounds to their current supplier. There were a couple of instances where customers appreciated the flexibility shown by their supplier when they wanted to reduce their direct debit payments or to have longer to pay a bill. We also found a few customers appreciative of modest loyalty schemes which rewarded customers with points to spend with retailers. But these specific grounds for loyalty appeared quite rare. Non-switchers who described themselves as 'loyal' were usually only fairly satisfied with their suppliers and sometimes bordered on being dissatisfied. Their attitudes were grudging rather than appreciative. Passivity, laziness or the fear of the unknown were more important than genuine loyalty as factors behind their decision not to switch supplier(s).

So with little genuine loyalty to their existing supplier among non-vulnerable customers fear of worse service was generally not a major reason for not switching. Ironically, one customer had not switched because their current supplier was so difficult to contact by phone the customer could not face the expected hassle of contacting them to say they were leaving!

Non-vulnerable customers also felt better able than vulnerable customers to handle problems such as not being initially billed by the new supplier and finding they owed a lot of money a few months later. This was the kind of issue that particularly concerned some vulnerable customers who felt they were poorly placed to recover quickly from such setbacks.

Non-vulnerable customers were generally neither duly concerned over the risk of changing suppliers nor the difficulty in doing so.

EASE OF SWITCHING

Another major barrier to switching is that it is thought by many to be a hassle. This view was more likely to be held by vulnerable than non-vulnerable customers, especially the under 35s.

For customers on PPMs the expectation they would need to change their meter and cards/keys made some more reluctant to contemplate switching. They feared switching could be a hassle and/or that they could find themselves without fuel for a while if they changed provider.

However, a young Newcastle woman on a pre-payment meter reported no particular problems when changing three times in less than three years to take advantage of free TV sports channels, then lower prices

Some direct debit payers commented on how the new supplier would sort everything out for them making it a painless process.

Some complained the switching process was long and drawn out (allowing for the original supplier to be contacted) and some felt it involved a lot of hassle. But many recent switchers especially, regarded switching as almost hassle-free. The under 35s in particular, appeared to regard switching as straightforward, and lack of interest was often a bigger inhibitor for this demographic than perceived difficulty in switching.

We found several instances where customers who had been on the point of switching had been dissuaded from doing so by the incumbent supplier. The original supplier was sometimes able to persuade the customer that the competitor's rep had misled them, for example by failing to reveal the existence of a standing charge which could potentially make them more expensive than the incumbent.

Sometimes, the original supplier had conceded that they could not match the price quoted by the new supplier, and occasionally those who had switched indicated they would have been quite happy to stay had the original supplier matched the new tariff. In the 55-74 Wimborne group, a woman expressed considerable indignation when she found the company she had signed up to were not planning to tell the existing provider until the customer had actually switched over. She thought the new company was acting unethically in not making it easy for the incumbent to offer the customer a better deal, so her husband cancelled the new contract.

This experience triggered a switch to a third company as they went on moneysupermarket.com and by chance came across a company who fared well on this comparison outside a local supermarket. They secured a fixed rate deal with this third company, and this was not the only instance of a rep visit or a visit to a price comparison website eventually triggering a switch.

However, some of those who signed up to new providers took the opposite view to this woman and did not like being contacted by their original provider, trying to get them to change their minds. Some always informed their supplier in writing rather than by phone, to try to avoid talking to them. And for a couple the prospect of having to explain their decision when contacted by their existing supplier was a deterrent against switching at all.

Most customers, especially the over 35s, were aware of problems occurring, even horror stories when people switched including:-

- receiving bills from both old and new suppliers
- the new company making billing errors
- the new company charging more than the original company.

Across the two phases of research we found a small number of individuals who had had these experiences themselves with around one in ten of those who had ever switched saying they had at least encountered at least one of these problems.

We found a few instances of people being aware that the new company charged more than the original company and in these circumstances non-vulnerable customers typically switched back to the original company as soon as they discovered they were paying more, while occasionally people such as a young Polish woman in the first phase of research would wait for a visit from another sales rep, then switch.

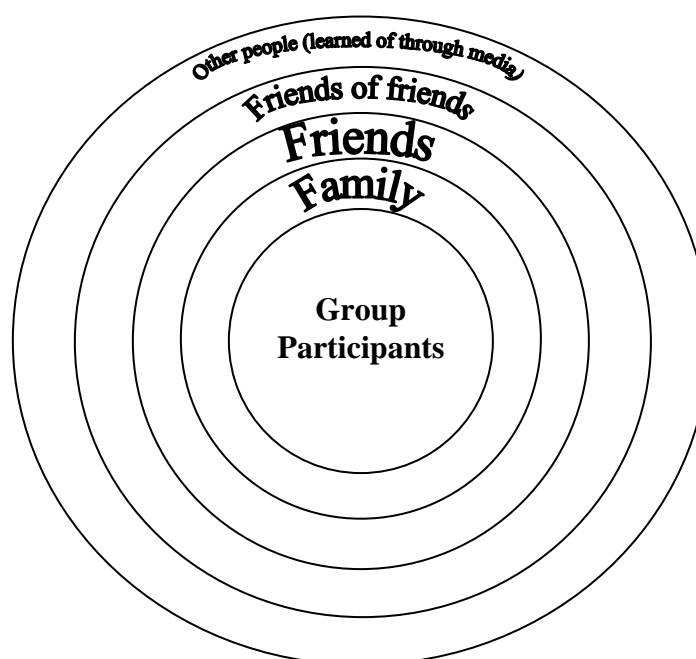
While very few people admitted to paying more to their new company at the time they switched, others said their new supplier had raised prices having originally been cheaper. And some admitted to being disappointed not to have made any noticeable savings when they switched.

Occasionally people encountered problems when switching so a non vulnerable Walsall customer complained that they were in credit when they switched away from npower and it took ages to get that credit back.

Those who did encounter problems did not appear to be skewed towards any particular demographic groups – although younger people appeared to be less worried about problems occurring.

A slightly greater number knew of family members such as parents or siblings who had encountered problems when they switched, in some cases group participants getting involved in sorting out problems resulting from parents switching. Extending the circle wider some people knew of problems encountered by friends, and wider still, some heard of experiences of friends of friends. Most of those who took part in research had heard of some people encountering problems even if the individuals were not known to them. Some people mentioned press stories or Watchdog when describing switchers' problems. And when people heard stories about people distant from themselves these tended to be the most negative stories.

Who has or has heard of problems



And for some customers, with the prospect of savings uncertain, the risk of such problems was a major deterrent. Non-vulnerable customers were less worried at the prospect of things going wrong and among the younger non-switchers, switching was not expected to be problematic. Most switchers, especially among the non-vulnerable customers, had reasonably problem-free experiences. The length of process did not generally appear to be a problem to switchers, or potential switchers.

However, even among those who perceived switching to be a reasonably straightforward and hassle free process, it was acknowledged to require more effort than not switching, so if the rewards were not great, the prospects of even minor inconvenience could deter consumers from switching. This was illustrated by a young London woman organising a reasonably problem-free and money-saving switch for her employers but not bothering to make an equivalent switch at home.

UNDERSTANDING THE MARKET

Uncertainty as to who to switch to was also a deterrent to switching. Non-vulnerable customers were better able than vulnerable customers to assess different providers and to check out whether or not they were getting a good deal with a particular company, but even so, many admitted to struggling to understand the energy market.

Some were puzzled as to how one company could be cheaper than another – a particular puzzle for those who thought all other gas companies were first receiving their supplies from British Gas.

People are more likely to switch where they feel they understand the market well, and most felt better able to understand insurance and telephony (and even broadband) than to understand the tariffs, pricing structures and the units of currency in the domestic energy market.

7 PAYMENT METHODS/TARIFFS

The most popular method of paying energy bills is by direct debit. This method is popular in that more people choose this payment method than any other, but also in that it is the option energy companies prefer because their income is more secure, cashflow is helped and administrative costs are lower.

Direct debit was the most common payment among non-vulnerable customers, proving much more prevalent than quarterly cash/cheque, magnetic stripe card or pre-payment meter.

Among non-vulnerable customers there was very widespread recognition that this was the cheapest method of payment although convenience and being able to balance payments across the year were often more important motives for paying by direct debit than saving money.

Some non-vulnerable customers reported bad experiences paying energy or other bills by direct debit. But they appeared less likely than vulnerable customers to be dissuaded from paying by direct debit again because of these problems.

One of the most common reasons for not wanting to pay by direct debit was that the energy company received payment in advance, and this disadvantage was compounded, some argued, by suppliers setting direct debit payments at too high a rate. Possibly up to half of those on direct debit were vigilant in checking when they were in credit and asking for money back. Companies seemed variable in their willingness to return money rather than reduce future payments and this was a source of irritation to some direct debit payers. However, a recently divorced Wimborne woman (whose husband had previously dealt with bills) had a credit surplus of £570 with her energy provider and, working long hours and still affected by her acrimonious divorce, it simply had not occurred to her to ask for this money back, and the supplier had not suggested it.

In contrast, a woman in the 55-74 Wimborne group was very concerned because she felt she was paying too little on direct debit despite the fact statements kept showing her to be in credit:-

“When we checked we owed them £400 more and I went to pay it off cash to get away from them, and they sort of held on to us for about six months... When I wanted to change over, the company we wanted to go to said we can't take you on yet because you still owe money and we didn't.”

A Newcastle man also expressed suspicions that companies had set direct debits too low in order to ensure customers stayed with them although he felt this was something that happened more a few years ago, than recently.

A few customers had switched away from direct debit to avoid the risk of things going wrong, either as a result of energy company error, or problems with their bank account:-

“We used to pay direct debit but now we pay by BACS transfer which he does on the internet, maybe because like if you’ve got a direct debit set up and your wages are held up or the bank doesn’t clear on in time then you get charged for the bounced direct debit. So now it’s easier to pay by BACS transfer.” (Female, 35-54, Swansea)

Participants had experience of mistakes with other methods of payment, so a Wimborne man reported receiving red letters from his energy supplier even though money was continuing to leave his account through his regular standing order. This error took the customer two months to sort out and he left the supplier as a result and vowed never to return.

A Swansea woman reported how her friend had been aggressively pursued by her energy company for a non-existent debt.

Despite, these potential drawbacks, customers paying by means other than direct debit would normally save money by switching to direct debit. Most were aware of this, and a few pre-pay customers expected to change to direct debit in the future. However, people, especially those with a PPM, often under-estimated the likely savings through switching to direct debit.

Moreover, people tended to favour the payment method that best enabled them to budget. For many, this was direct debit, but others preferred quarterly billing (as they were not then concerned about money being mistakenly taken from their account).

A few people had signed up for online tariffs. A young London male preferred online billing and had been delighted to choose a company his friends were with and who offered a discount for paperless billing:-

“I’m doing it all online. I’ve got no paper bills, they do it online and you save like £15 a quarter or something like that.”

Non-vulnerable customers were more internet-savvy than vulnerable consumers and generally more willing to consider online billing although few had actively considered it. Their reactions to price comparison data which showed potential savings for online billing are discussed in the section on Information Sources.

PRE-PAYMENT METERS

The fear of something going wrong with payments was a major factor for many PPM consumers in not wanting to pay by direct debit.

Older pre-payment customers had often got into a routine and felt very comfortable with their meter and nervous as to how they would budget with a different payment method. They felt a PPM gave them a degree of control they might not otherwise have, and particularly liked the fact they would not receive a large unexpected bill.

But some of the younger PPM customers, who had moved into a home with PPM and kept it, or who had been asked to go on this method of payment, were less enthusiastic. They found paying by meter could be irksome, requiring them to make special trips to local PayPoint outlets to avoid running out of gas or electricity. Some were certainly willing to consider other payment methods, especially direct debit.

Also a couple questioned whether, paying by meter, one really did know what one was paying for. Where tariffs are set to recover a standing charge it can mean different levels of charges depending on the invisible standing charge that is being paid for.

This can also make it difficult to compare prices as different companies have different policies regarding standing charge, some not charging it at all, others imposing modest or significant sums.

It appears that the sales reps for companies with significant standing charges do not always make clear to consumers they are encouraging to switch, that the standing charge will increase the amount they pay. Where their company fares well on a price per unit comparison, reps appear to have encouraged customers to only compare the price per unit and not take into account the standing charge.

A couple of non-vulnerable customers had been dissuaded from switching when they contacted their existing supplier who pointed out that their competitors did, but they did not impose a standing charge. This meant PPM customers would suddenly find money taken off to claw back the standing charge. A non-vulnerable Walsall woman fed back to the group what she had been told to look out for and found to be true:-

"So like if you put £10 in a Friday, by the time Wednesday had come you think, God well I'm sure I had £7 in there last night, it's only got about £5 or £4, so it seems to just have been taken away somewhere. I don't know where it had gone. And he actually said to me watch your meter on a Tuesday. And I thought well why a Tuesday. It's a certain day in the week. He says oh it's sucked out, they're having that money. And I thought I can't believe it, but it is right."

Some PPM customers felt switching supplier could be a particular hassle for them as they would have to have their meter taken out and replaced.

In practice, PPM customers who had switched, did not generally appear to have had more difficult experiences than others, but the expectation of hassle dampened interest in switching.

DUAL FUEL

We found most customers had ended up with one company for both fuels. Sometimes they made this change in order to take advantage of a dual fuel discount but others simply liked the convenience of having both fuels from the same supplier. With companies sending separate bills for gas and electricity the administrative advantages to the customer of having a single supplier are not that obvious, but we found numerous vulnerable and non-vulnerable customers preferring to have dual fuel for convenience.

While most were aware that they received a dual fuel discount they were not aware of the size of this discount, and some were not even sure they were receiving one at all.

Those on dual fuel almost invariably switched or expected to switch both fuels to a single supplier for convenience, or sometimes for a mix of lower costs and convenience. Similarly, when those with two suppliers change it is often to have both gas and electricity supplied by the same company. This is in contrast to the situation some years ago when savvy consumers often had gas supplied by a former Regional Electricity Company, and electricity provided by British Gas.

GREEN TARIFFS

In the younger London groups, one woman expressed strong interest in green tariffs, even suggesting it was more important to her to have a green tariff than a cheap tariff. But like most other participants, she was unsure what made a company or tariff 'greener' than others. The willingness of some consumers to favour 'green' when they were not sure what this entails underlines the importance of regulators monitoring the 'green' claims made by companies.

There was fairly modest interest in the idea of green tariffs especially where these would require the customers to pay more, and there was an expectation that green tariffs would cost more. Reflecting their generally disillusioned attitudes towards energy suppliers some suggested green tariffs were a marketing initiative by energy companies which involved customers paying more while companies sought to improve their image by appearing concerned about the environment. A middle-aged Wimborne man expressed his frustration:-

"Because they're getting on the bandwagon and everybody seems to be thinking oh we produce electricity at a lower carbon level than anybody else. It's just – I know it's a big issue at the moment but it's getting me very, very cross."

In the same group when shown price comparisons, a woman expressed her exasperation and mystification as to why there should be a multitude of tariffs (some of which were green) which made choosing a supplier and tariff much more complicated:-

"The thing that gets me is the fact that they're in competition with themselves aren't they? They're all offering, you know there's npower Juice, npower Standard, npower National Trust Energy – why are they offering all of that with so little actually – they're all the same price so why aren't they just one fixed thing?"

FIXED TARIFFS

One older non-vulnerable Londoner reported being on a fixed tariff (StayWarm) whereby the absolute amount he paid was fixed. He had a small home with two bedrooms and stable energy usage so his energy company felt able to offer him this tariff, and he was aware it was only offered to over 60's with certain characteristics (such as no more than three bedrooms). This customer was very happy to pay a small premium in return for knowing how much he would pay every month.

When they heard about it others (who would not have qualified) were very interested in this fixed tariff, excited at the prospect of being able to use as much energy as they wanted without paying more. Consumers liked the idea of such a tariff and did not stop to consider whether it was anti-green.

A more common type of fixed tariff is one where the rate is fixed with the absolute amount dependent on consumption.

A few non-vulnerable customers had signed up to these and there was some interest among other consumers who liked the idea of having some predictability in the amount they would pay in the future. Those who had come off fixed-price deals reported being shocked at how high their payments were when they went back onto a standard rate. Two Walsall non-switching males lamented:-

"I used to be on a capped deal and I ran out and all of a sudden my bills doubled overnight that was down to my own fault. I wasn't very happy about that. It did seem to come back down a bit."

"I think mine was about the same but I let mine lapse. I missed all the paperwork for whatever reason, the next thing, when I saw the next bill it was nearly double, frightened the life out of me."

There was occasionally confusion about what fixed rates involved but most grasped the concept and some had experience of fixed-rate mortgages.

The vast majority of participants were aware energy prices had generally increased over the last three years and people were more likely to think future prices would increase than thought they would reduce. But they were not sure. A C2D Walsall woman, predicted:-

"I think prices will have to come down if a recession takes hold because people won't be able to afford to pay."

Without necessarily agreeing with this woman, most found the idea of a fixed tariff to be of limited appeal, and some thought it was very unattractive.

They felt a fixed tariff could tie them in with a supplier who was providing indifferent or poor service. A bigger concern was that energy prices might come down leaving them paying more than if they had been on a conventional tariff. They were unsure whether, in these circumstances, they would be able to revert to a conventional tariff, and if so, at what cost. Perhaps surprisingly some viewed a fixed tariff as a gamble, rather than an option that took the gambling out of paying for energy.

Those who were attracted to fixed tariffs were more likely to accept the argument they offered peace of mind as the customer would know the rate for years to come.

An older London woman reported being invited to fix her prices with her supplier until 2011 in return for a £3 per month price premium. She was contemplating this option and had not ruled it out on the basis of the price premium.

Those who were sceptical about fixed rate tariffs often lost interest altogether, when they were told the tariff may be fixed at a rate slightly above what the customer was currently paying. This made the option seem very unattractive.

In terms of the length of a fixed tariff, periods of 2-3 years were thought reasonable and appropriate.

Interestingly, two middle-aged non-vulnerable customers in Wimborne expressed little interest in a 2-3 year fixed tariff but suggested they would be pleased to accept a 10 year tariff, which gave them a pegged rate for years to come. They felt more confident in predicting energy prices would increase over the next ten years, than that they would increase over the next 2-3 years. This excerpt from the Wimborne group of non-marrieds reflects common concerns over fluctuations in price, but more rarely, an interest in making a very long-term commitment:-

“Well I was aware that they probably would (offer him a fixed deal) but I haven’t been in contact with them about it, they haven’t told me about it. But I’m quite wary about fixing anything to be honest because although prices are going high at the moment, I would hope, I can’t see it can remain like that forever. At some point they will come down, it’s just a question of when that will be and then if you’ve fixed your price, will you be able to get out of what might then be a more expensive price. So I prefer the flexibility.”

“Yeah, but if somebody went to you and said we’ll offer you a fixed 10 year deal for your petrol you’d snatch their hand off at their elbow wouldn’t you because you know damned well it’s going to go up and it’s the same with gas. It always goes up. I’ve never known it to come down. It comes down a little bit but over ten years it will go up.”

8 ATTITUDINAL SEGMENTS

TYPES OF NON-SWITCHERS

In the research with vulnerable customers we identified eight main segments of non-switchers. Some of these groups were more clear-cut than others – in some instances the differences between different segments were fairly subtle.

All of these segments of non-switchers could be found in a general sample of energy customers, but each (with the possible exception of 'Too lazy/indolent to bother') 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*

Among non-vulnerable customers we found one of the most important reasons for not switching was the expectation that prices would continue to change and a supplier who was cheaper at one time might not be cheaper than other suppliers a few months later. There is probably an element of rationalisation in this, with people justifying their disinclination to do something that would involve a little effort.

Vulnerable customers who expressed this view could, depending on other views expressed, be classed as *Change Averse*, *Overwhelmed*, *Too lazy* or even *Uninterested* but would most probably be classed as *Under Confident and nervous* as they are uncertain of what decision to take. However, we found non-vulnerable customers to be more confident in their belief that change was pointless. They were often better informed than average and were more interested and aware than those classed as *Uninterested* or *Too lazy*. They were more confident than those labelled *Overwhelmed* or *Under confident and nervous*.

We suggest a ninth category of *Rational* for those people who:-

- were not normally nervous or lacking in confidence when it comes to making decisions
- took some interest in and had some knowledge of the energy market
- were willing to switch for sizeable long-term savings but argued that currently they could only be sure of making relatively minor short-term savings.

RATIONAL NON-SWITCHERS

As explained, research among vulnerable customers did not lead us to identify this segment, so a few individuals with these characteristics might have found themselves in the '*Uninterested*' or '*Lazy/Indolent*' or possibly '*Change Averse*' or '*Overwhelmed*' categories.

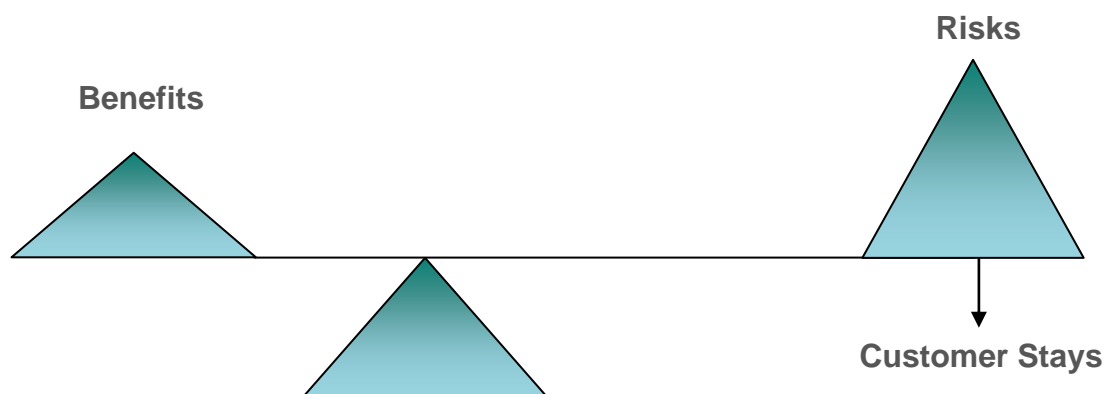
The essential characteristics of these customers are:-

- they believe any savings made through changing energy supplier will be minor and temporary
- they believe switching will involve some hassle
 - so it is not worth changing if the savings are small
- they are NOT by nature lacking in confidence, but do feel able to make and justify decisions
- they take some interest in and have a reasonable knowledge of the energy market
- if they could be convinced that savings were major and reasonably long-term they probably would switch.

In some cases these customers are distinguished from others more by the confidence with which they spoke and asserted that there was no point in changing suppliers – rather than in the words they used. For example, this Dumfries father took an interest in the energy market and argued it was now no longer worth his while to switch:-

“It definitely seems as if there is some sort of price fixing going on at the moment because when I originally looked on Energywatch about two years ago, there was quite a large disparity between different companies, but now it is hardly worth changing because they may all be offering different incentives, like capping your rate for a couple of years, but ultimately they're all pretty much the same.”

Their balance model is shown below. The risk is greater than the benefit so the customer stays:-



Interestingly, when non-switching vulnerable customers took part in discussions, especially after seeing comparisons they sometimes expressed interest in switching. When non-switching non-vulnerables looked at price comparisons and took part in discussions they usually continued to express little interest in switching. The effect of the discussion was sometimes to give them greater confidence that they were right not to contemplate switching.

CANNOT SWITCH

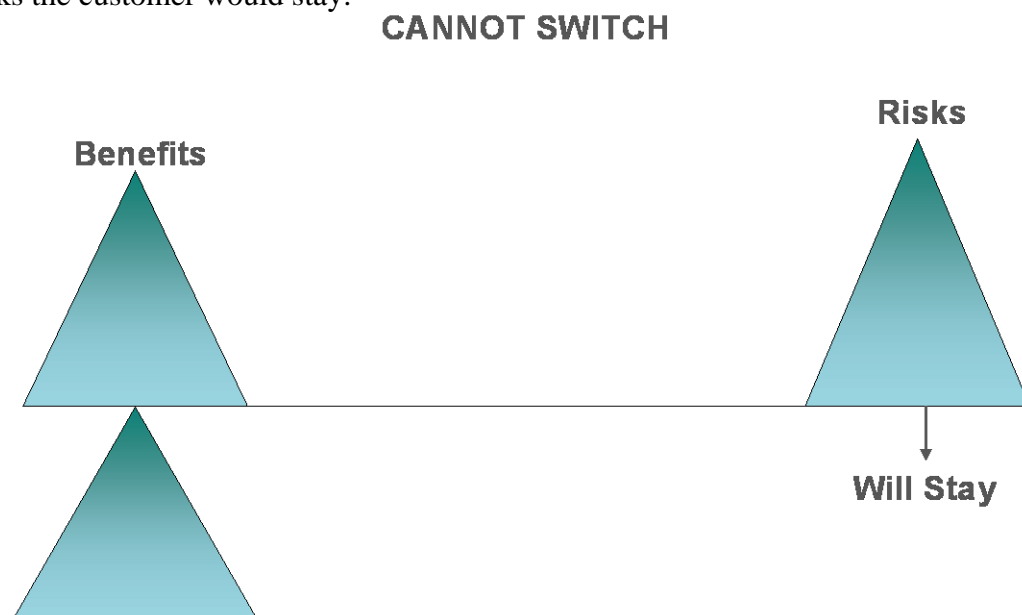
People in the non-vulnerable customer research said they could switch although some said the situation had been or could be complicated by being in debt as a new supplier may be unable or willing to accept them.

Among vulnerable customers we found people or evidence of people who believed they couldn't switch because they:-

- 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 but nobody in the three non-vulnerable rural (as opposed to remote) groups held this view
- 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 vulnerable customer 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.



'OLDER – HAPPY AS THEY ARE' AND 'CHANGE AVERSE'

These two groups are more prevalent among vulnerable than non-vulnerable customers, especially the more affluent. This is particularly because we spoke to more older vulnerable customers and partly because the more vulnerable tend to be less comfortable with and adaptable to the idea of change. 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 participants were shown the potential savings they could make they were unlikely to seriously contemplate switching.

Older people in these groups are often traditionalist in the sense they believe gas should be provided by British Gas and electricity by the equivalent of their original regional electricity supplier.

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, though some favoured direct debit.

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

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

Some elderly customers, especially lower social grades are 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.

Among non-vulnerable customers who fell into this category there appeared to be a greater confidence that they were doing the right thing in not considering switching. A Wimborne pensioner asserted:-

"I'm set in my ways, I suppose. I've been in my house 30 odd years so it's always been the same. I've had no problems. I'm direct debiting. I've got no hassle. Why have hassle in my time of life. Everything in the garden is rosy, why change it?"

Interestingly, this man could be persuaded to make changes in his life. He had been willing to switch to a water meter because he had been persuaded that small households would receive lower bills. He had been delighted with the impact on his water bills.

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 non-vulnerable 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, and they tend to be less complimentary about their existing supplier. Their reasons for not changing are more likely to be expressed in negative terms (fear of change) than the happy as they are group.

Within the *change-averse* segment, some were reluctant to change supplier for any service delivery, 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.

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. Overwhelmed customers tend to be aged over 30, but under 65. This group included people who were quite well informed – but struggled to cut through the information they had to choose a suitable supplier.

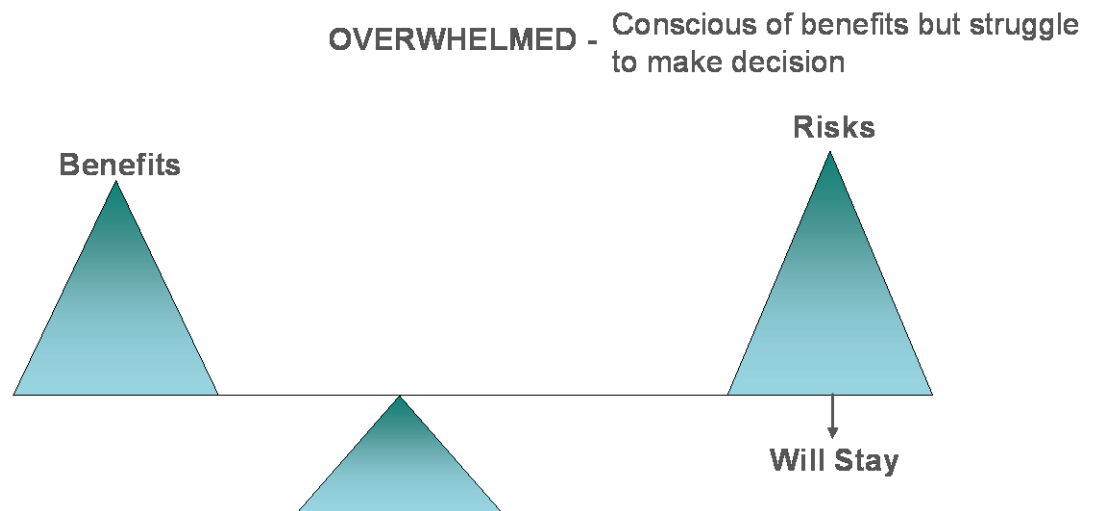
To a greater extent than other segments, they are aware that they might be able to save money through switching suppliers and/or payment method, and some feel they ought to try to do so. The balance chart is marked by major perceived benefits, in switching, but also major perceived risks. Uncertainty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

Vulnerable customers were more likely than non-vulnerable to be very worried about the impact of making the wrong decision, but difficulty in making the right decision could still encourage passivity among the non-vulnerables.

Individuals in this segment would probably feel pressured and be reluctant to talk to a visiting sales rep. Non-vulnerable customers especially want to study information in their own time and do not want a rep pressing them with partial information. However, they may 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.



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.

These customers might be persuaded against switching if their original supplier contacted them when they were planning to leave.

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 are commonly vulnerable customers who 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. Non-vulnerable customers sometimes expressed sympathy for vulnerable customers who were worried about switching. As one C2D Walsall man observed:-

"It is a massive big hassle for real working class people who are living on the minimum wage and stuff like that."

Those who are *Under confident* 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.

We found some non-vulnerable group participants who fell into this category, including widows/widowers/divorcees whose partners had made this kind of decision in the past. Those who are not used to making decisions about energy supplies may struggle to do so – and this favours the status quo.

A middle-aged Wimborne woman who went through a painful and complicated divorce explained how she had been required to produce reams of paperwork. That experience made her especially loath to go through the hassle of changing energy suppliers. The attitudes she expressed were change-averse, but influenced by her lacking confidence in handling matters she had not previously dealt with:-

"I won't go messing around with my bills and all that. I'm just happy and the service when I want to ring up, they're fine. They do my business and that to me outweighs certain discounts and that. Knowing I'm going to be okay, I'm going to get the service."

Sometimes non-vulnerable customers are better informed than vulnerable customers. They have read or heard more stories about people encountering problems when they switched, or of suppliers people had signed up to raising prices. This could mean they were very conscious of what could go wrong.

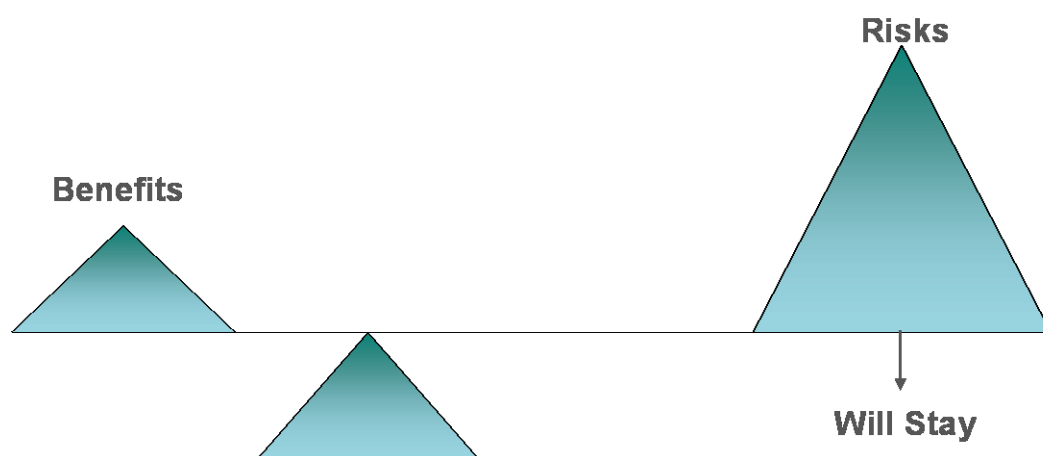
While this segment might contemplate a switch, they need to be persuaded that there would be no problems if they switched.

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.

Non-vulnerable customers appear to be quite well-represented among this customer segment, especially where a divorcee, widow or widower has to make unfamiliar decisions but this group is also well 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. We found people meeting this description in vulnerable and non-vulnerable groups. The more affluent, less vulnerable customers appeared more comfortable with sticking this label on themselves whereas vulnerable customers were a little more likely to say they were 'too busy' or to find other excuses for not switching.

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, although there also appeared to be some grudging respect for those who made the effort to make small savings. A Walsall non-switching male observed:-

"Some people get into it just to save a penny. I can't be bothered."

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.

Lazy non-vulnerable customers sometimes quoted huge sums of money (£300+) when asked what level of saving might motivate them to switch but some could be persuaded by savings above £100 a year. A Walsall non-switcher explained her priorities and the savings she would need to persuade her to switch:-

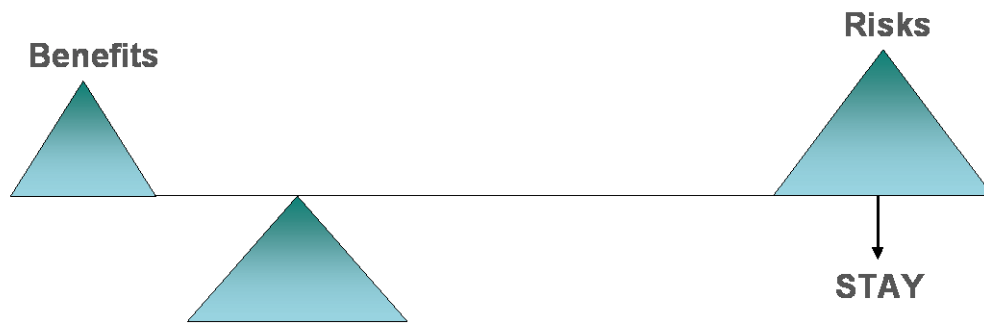
"£30 or £40 a month, minimum £30. It would have to be a minimum of £30 for me to even think about it, because I don't know the hassle that's involved. And the only time I've got is of a weekend so it would just mean part of my weekend, which is precious, being taken up with sorting out gas and electric. My weekend's too precious. to sit on the phone and talk about gas and electric."

What was remarkable in some groups, especially those with vulnerable customers 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. However, 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.

Their indifference/laziness is often influenced by the size of savings and the degree of hassle they expect were they to switch. If they were to be convinced that savings would be greater but hassle less than they expected they may make the effort to switch.

This group is probably as easily persuadable as the *'Overwhelmed'* and 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.

Among non-vulnerable customers we found young people who were or had been more interested in paying their mortgage and working and playing hard than making savings on their energy bill.

Some affluent or comfortable 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. This may be compounded by young adults especially, regarding energy as a boring subject and one harder to understand and less intrinsically interesting than, say, mobile telephony. As a young group in Newcastle observed, you risked being thrown out of the pub if you started talking about energy bills.

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.

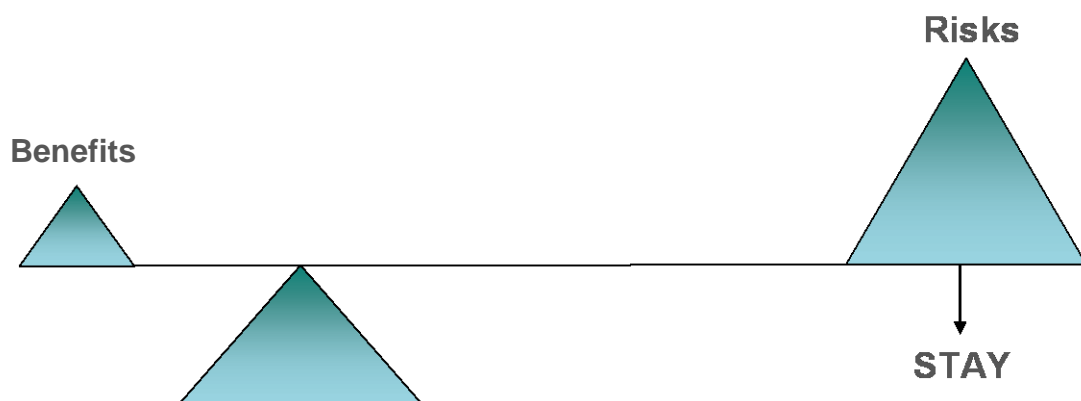
And most importantly, they may be paying a fairly modest amount for energy themselves, so do not feel particularly motivated to change.

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.

This group differ from the *'Rational'* in that they are less well-informed and interested in the energy market.

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. Even among groups of non-switchers we found very few, who expressed positive loyalty towards their existing supplier. This was especially true of non-vulnerable non-switchers most of whom criticised their supplier for not rewarding their loyalty, rather than saying they had stayed due to excellent service.

The key characteristics of those we describe as loyalists 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 (of whom we did find some among vulnerable and non-vulnerable customers) 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, especially older, more vulnerable customers 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 a few instances among vulnerable customers of loyalty to a supplier who had been accommodating to a customer’s particular needs for example people dependent upon their energy supply feeling they had been given excellent support.

Among non-vulnerable non-switchers we found a couple of instances where the provider’s flexibility regarding payments and willingness to accommodate the customer did give the two customers concerned enhanced views of the companies and encouraged them to stay.

An EDF Energy customer also praised their scheme for giving 500 Nectar points each for gas and electricity for customers who read their own meters.

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, among non-vulnerable customers we found people appreciative of British Gas's Central Heating Care service sticking with them for energy, not realising they could retain the Central Heating Care even if they switched to a different energy supplier.

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



8 INFORMATION SOURCES

People 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
- financial experts such as Martin Lewis on the radio (and sometimes press or TV), dispensing valued financial advice
- advertisements on TV, radio, in the press, although as these were mentioned infrequently in research it appears most pay little attention to these
- proactively seeking information by ringing energy companies, visiting their websites, or checking out price comparison sites such as uSwitch: in our research very few vulnerable but rather more non-vulnerable customers did this
- sales reps operating door-to-door or in shopping centres, but most vulnerable and non-vulnerable research participants 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 especially among younger adults 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.

WHAT PEOPLE ARE LEARNING

The type of information people (especially better-informed non-vulnerable customers) are aware of is not simply limited to the prices charged by different suppliers but includes:-

- energy efficiency advice
- information on green issues, including global warming and carbon footprints
- sources of energy and relative merits of alternative sources
- likely trends in energy prices and reasons for these

The types of information listed above appeared to have been seen by at least half the customers researched. At a lower level, across the two pieces of research, several respondents mentioned reading other information including accounts of the conduct of sales reps and actions taken against them.

Many people in vulnerable and non-vulnerable groups claimed to have already taken steps to reduce their energy consumption, mostly through measures such as turning the thermostat down one degree which did not involve any financial outlay on their behalf. Those taking such measures sometimes felt the steps were merely common-sense but others welcomed tips they had picked up from friends, relatives, media or energy companies. There was not generally a great appreciation for what energy companies had done to help customers use less, and those aware of energy companies offering energy efficiency advice were sometimes sceptical as to their motives.

While some consumers were taking sensible energy-efficient measures, a few admitted to being remarkably wasteful including one Walsall mother, who, when her children complained the house was too hot, told them to take their jumpers off, rather than turn the heating down and wear warmer clothes herself.

Some people said rising energy prices had made them more conscious of the need to save energy, but most felt they were either doing all they could reasonably do already, or felt that saving energy would involve too much discomfort, effort or expense.

In the vulnerable customers' groups especially, there was less obvious interest than might have been expected from the widespread media coverage into green issues generally. Non-vulnerable customers were a little more likely to raise such subjects, sometimes in the context of discussion about energy supplies. A well-informed Dumfries man raised a number of inter-related issues:-

"People are more aware of their carbon footprint and more aware of how they're actually generating electricity. Obviously one of the reasons why we're paying more is because there's no ad infinite resource there. We seem to have used up all of the North Sea gas reserves, and we're now getting it from Russia and Norway. Obviously there are a lot of green issues involved there too as well because of the carbon."

Similarly, the Newcastle group of under 35's talked about problems they heard or read about, offering at least three different explanations for rising domestic energy costs:-

- not enough places to store the energy in this country so get sent to Europe and we get it back at a higher tariff
- nowhere to store it during summer months so they sell it to Europe during the summer months, for the storage and then have to buy it back in the winter
- the government's insistence on energy companies using more renewable sources places a burden on these companies which results in them raising prices.

In other groups participants talked of the price of energy being linked to the price of oil which had been rising, but some were sceptical as to why there should be a close link and suspected energy companies may be profiteering, especially as their profits appeared to be holding up.

People were not sure how energy prices would change in the near future, but influenced by the press and other media, tended to expect prices to rise. Some had found press coverage on energy issues to be helpful.

COMPARING ENERGY PRICES

There were a few mentions of energy price comparisons in the press, which some had found useful:-

"It must have been about 8 months ago I think it was in the Daily Mail, they had a whole page as a price comparison site for gas, electric. And they gave a list of all the companies and they're charges and stuff. And I thought if they did that, like that, I thought that was fantastic, to see that all written out with the prices."

(Female, 35-54, Swansea)

In some of the older, higher social grade groups, up to half the participants had visited energy price comparison sites. The under 30's felt less motivated to do so, while the very elderly and lower social grades were less likely to have access to or use the internet.

Some had found price comparison sites very useful in other areas, such as insurance, and found these sites useful for monitoring prices. Those who visited such sites were not always doing so with the intention of switching, but simply keeping an eye on the market, and perhaps seeking reassurance that they were getting a reasonable deal, if not the best deal, from their supplier.

An older London woman reported being pleased to see her provider, EON, as the cheapest on three price comparison sites but was perturbed that she was not on the cheapest tariff. She felt EON should have drawn this to her attention.

Some questioned the independence, accuracy or reliability of price comparison sites, particularly if they visited more than one site:-

"You put three sites up, you haven't always got the same one (ie energy provider) at the top. So there's something got to be different somewhere."

(Male, 55-74, Wimborne)

An older London female reported visiting three price comparison websites checking out alternative prices, as she was reluctant to trust a single site. This suspicion acknowledges that energy companies paying if customers switch to them through price comparison sites made some very mistrustful of such site:-

"It's always right to compare like several companies (ie sites) because they all get a back hander."

(Male, 55-74, Wimborne)

A Newcastle non-switcher said she had been in the process of switching through a price comparison site when two energy sales reps visited her carrying a newspaper report saying this site had been proven to be making money out of people switching. This had been sufficient for her to abandon her plans to switch.

While they were generally able to understand the price comparisons some customers, especially the non-vulnerable, were concerned that energy companies paid sites to be listed. 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:-

"I don't trust those price comparison sites because they could be getting kickbacks from whichever company they want to tell you is the cheapest."

(Female, under 35, London)

A young London man argued people struggled to work out the best deals because they did not understand their energy bills:-

"Many customers don't understand how their bills are made out. They don't understand how it's calculated (so) they can't make an informed decision as to which is actually a cheaper company to go for."

Another problem is that people may struggle to reconcile the attractions of two providers, one they are familiar with, the other one they have never heard of:-

"I'd look them up online and see if there was anything about them and usually if it's a good deal then someone will have talked about it. It will be in the press or something. Or Martin Lewis on Moneysavingexpert.com, somebody who I'd trust. I'd find out about them before I commit myself."

(Female, 55-74, London)

REACTIONS TO PRICE COMPARISON SITES

We sought reactions to print offs from some of the price comparison websites, usually *saveonyourbills.co.uk*.

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 varied across groups, with non-vulnerable customers who used the internet frequently generally more positive than vulnerable customers. Internet-savvy customers liked the fact the price comparisons were tailored to their individual circumstances. However, when challenged to say, on the evidence of these price comparisons, which company and tariff would be best; people often struggled, partly due to complexity of tariff options but also because some suppliers were unknown. 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 confused 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.

There was limited awareness of 'energywatch' but 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.

Participants were shown examples of energywatch price comparison sheets which were 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.



Most vulnerable and non-vulnerable customers reacted positively to the sheets, saying they were well laid out, reasonably easy to understand and they highlighted the savings that could be made.

However, not all reacted positively. Showing prices for Standard, Economy 7 and Online tariffs confused some. Comments made in discussions had already shown some people to find the existence of Economy 7 tariffs to make price comparisons even more difficult:-

"It seemed to be cheaper on paper until you've got another company knocking on your door telling you that they're also cheaper. We ended up asking friends and family which they were with and what they found best. Because round our area there's a lot of people complaining about how much they're having to put electric and gas into the meters and whatever. And the rates are really high on one of the companies and they do a 2 rate thing as well, where the first rate it's a daily rate and then you've got the night rate which is really cheap but that's obviously because you're not using any of the energy. So you get no benefit from it anyway. But they make out as though you are going to get a benefit when they're knocking on your door explaining it to you."

(Female, 25-49, Walsall)

Similarly, the terms 'standard credit' and 'pre-payment' were not understood by all. Also some wondered whether they were Low, Medium or High Users, and this was a weakness in the eyes of some consumers.

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.

More sophisticated non-vulnerable customers found the energywatch sheets less helpful than individually tailored print offs from price comparison sites.

There were a few adverse comments in the groups that with only a small number of widely known suppliers, who followed each other in terms of changing price, there was perhaps insufficient competition in the energy market.

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.

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.

Some were particularly surprised by the 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.

NON-VULNERABLE CONSUMERS' ENGAGEMENT WITH THE ENERGY MARKET

INFORMATION SOURCES

By the end of April 2008, when the research with non-vulnerable customers was undertaken, tariff changes (especially British Gas's) meant there were not quite such large savings to be made by switching to an online tariff. Even so, the non-vulnerable customers were generally more amenable to online billing. A few had already taken up this option, in at least one case, motivated primarily by the eco-friendliness of the idea of not receiving a paper bill, rather than because of the financial savings. A few others had toyed with the idea.

Overall, the energywatch sheets could have been a little more user-friendly especially for vulnerable customers, although they were well laid-out and helpful to most.

Energywatch literature could help 'Overwhelmed' or 'Nervous' customers to switch with a little more confidence, and possibly to provide the motivation for the 'Lazy' customers.

1 April 2008 Swalec energywatch

	Standard Rate	Economy 7 Rate	Online Tariff
Gas	British Gas Economy 7 Economy 7 Economy 7	British Gas Economy 7 Economy 7 Economy 7	British Gas Economy 7 Economy 7 Economy 7
Low User			
Direct Deal	E333 E348 E368 E378 E388 E393	E333 E348 E368 E378 E388 E393	E333 E348 E368 E378 E388 E393
Standard Credit	E371 E386 E396 E406 E416 E421	E371 E386 E396 E406 E416 E421	E371 E386 E396 E406 E416 E421
Prepayment	E411 E399 E402 N/A E399 E370	E411 E399 E402 N/A E399 E370	E411 E399 E402 N/A E399 E370
Electricity			
Direct Deal	E229 E243 E251 E256 E257 E257	E229 E243 E251 E256 E257 E257	E229 E243 E251 E256 E257 E257
Standard Credit	E240 E251 E252 E272 E279 E245	E240 E251 E252 E272 E279 E245	E240 E251 E252 E272 E279 E245
Prepayment	E243 E251 E275 N/A N/A E250	E243 E251 E275 N/A N/A E250	E243 E251 E275 N/A N/A E250
Dual Fuel			
Direct Deal	E348 E357 E358 E362 E363 E363	E348 E357 E358 E362 E363 E363	E348 E357 E358 E362 E363 E363
Standard Credit	E366 E369 E372 E388 E389 E389	E366 E369 E372 E388 E389 E389	E366 E369 E372 E388 E389 E389
Prepayment	E369 E374 E377 N/A N/A N/A	E369 E374 E377 N/A N/A N/A	E369 E374 E377 N/A N/A N/A
Medium User			
Direct Deal	E368 E353 E368 E363 E363 E363	E368 E353 E368 E363 E363 E363	E368 E353 E368 E363 E363 E363
Standard Credit	E366 E369 E372 E388 E389 E389	E366 E369 E372 E388 E389 E389	E366 E369 E372 E388 E389 E389
Prepayment	E369 E374 E377 N/A N/A N/A	E369 E374 E377 N/A N/A N/A	E369 E374 E377 N/A N/A N/A
Electricity			
Direct Deal	E409 E421 E422 E430 E430 E430	E409 E421 E422 E430 E430 E430	E409 E421 E422 E430 E430 E430
Standard Credit	E429 E429 E441 E447 E442 E442	E429 E429 E441 E447 E442 E442	E429 E429 E441 E447 E442 E442
Prepayment	E447 E429 E442 N/A N/A E442	E447 E429 E442 N/A N/A E442	E447 E429 E442 N/A N/A E442
Dual Fuel			
Direct Deal	E362 E360 E366 E363 E363 E363	E362 E360 E366 E363 E363 E363	E362 E360 E366 E363 E363 E363
Standard Credit	E370 E371 E376 E388 E389 E389	E370 E371 E376 E388 E389 E389	E370 E371 E376 E388 E389 E389
Prepayment	E376 E381 E388 N/A N/A N/A	E376 E381 E388 N/A N/A N/A	E376 E381 E388 N/A N/A N/A
High User			
Direct Deal	E361 E357 E374 E388 E373 E377	E361 E357 E374 E388 E373 E377	E361 E357 E374 E388 E373 E377
Standard Credit	E369 E381 E388 E389 E389 E389	E369 E381 E388 E389 E389 E389	E369 E381 E388 E389 E389 E389
Prepayment	E376 E381 E388 N/A N/A N/A	E376 E381 E388 N/A N/A N/A	E376 E381 E388 N/A N/A N/A
Electricity			
Direct Deal	E366 E366 E368 E363 E363 E363	E366 E366 E368 E363 E363 E363	E366 E366 E368 E363 E363 E363
Standard Credit	E371 E371 E376 E388 E389 E389	E371 E371 E376 E388 E389 E389	E371 E371 E376 E388 E389 E389
Prepayment	E376 E381 E388 N/A N/A N/A	E376 E381 E388 N/A N/A N/A	E376 E381 E388 N/A N/A N/A
Dual Fuel			
Direct Deal	E374 E374 E374 E374 E374 E374	E374 E374 E374 E374 E374 E374	E374 E374 E374 E374 E374 E374
Standard Credit	E374 E374 E374 E374 E374 E374	E374 E374 E374 E374 E374 E374	E374 E374 E374 E374 E374 E374
Prepayment	E374 E374 E374 E374 E374 E374	E374 E374 E374 E374 E374 E374	E374 E374 E374 E374 E374 E374

The above prices are based on a standard consumption of 10,000 kWh per year. Prices are subject to change without notice. Prices are subject to change without notice. Prices are subject to change without notice.

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 deal 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 your 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 www.house.co.uk
 EDF Energy 0800 096 2270 www.edfenergy.co.uk
 npower 0845 120 1453 www.npower.com
 E.ON Powergen 0800 404 5065 www.eonenergy.co.uk
 ScottishPower 0845 2700 700 www.scottishpower.co.uk
 Scottish & Southern Energy 0845 7444 555 www.scottishsouthern.co.uk

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 display 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 908 0708 Textphone: 18001 0845 908 0708 (Deaf or hearing impaired)

www.energywatch.org.uk

With energywatch's demise and the new arrangements for consumer representation, it is important that literature continues to be offered in the future. 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 mother in the C2D Walsall group suggested:-

“I think they should have these little tents you know like the little tents they have for like blood testing and stuff like that, when you give blood and stuff. I think they should have them little tents, like little market stall things where people go like we're npower or we're British Gas, come and have a look what we can save and stuff like that. A lot of people like Paul says can go on the internet, but there's a lot of elderly people would go oh my God where do I start, what do I do. But if there's people like in little tents to explain things to you, that could help better than knocking on somebody's door and waking them up or scaring them off to do it.”

This suggestion would no doubt have received some support from vulnerable customers, provided they felt the advice they were receiving was impartial.

One of the most striking features of both phases of research was the salience of Martin Lewis as a source of financial information and the credence given to his comments, such as his traffic light system for determining when it was a good time to change suppliers. He was mentioned in around half the groups with vulnerable and non-vulnerable customers, always in a positive light, and the over 35's were especially likely to mention him. A 55-74 year-old Wimborne woman commented on how Martin Lewis had urged people NOT to change suppliers earlier in the year until companies had put their prices up, so customers could compare them. She said she would certainly have thought about changing had he said it was a good time to switch.

Ofgem may consider working with Martin Lewis to communicate messages to energy customers and to help those who visit his website to find information that will help them get the best deals from the energy market.

APPENDIX

TOPIC GUIDES –

NON-SWITCHERS AND MIX OF SWITCHERS

JN 7476

OFGEM – NON-SWITCHERS TOPIC GUIDE

INTRODUCTION (5 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 (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 so, why was that, and how easy was it
- If not changed payment method, have they ever considered it and what advantages might there be?
- What about the possibility of moving to a different tariff with their existing supplier – has anyone thought about that or done that – how aware are they that energy companies offer different tariffs – how do they think these vary and how easy is it to understand the range of tariffs available
- What about the idea of fixed price deals – has anyone heard about these –if necessary explain. What advantage would they expect to get from this? Do they see the advantage as some sort of insurance at a time of rising fuel prices – if so what about when prices fall? How important is it to know what they will be paying for energy in the future – and if important, would they consider paying a premium for such a tariff? Why? What information would they need to know whether such a tariff was a good deal?
- And what about green tariffs – what do people think these might be – and is there any interest in these.

SWITCHING SUPPLIER (40 MINS)

- What other changes could they make? 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.
 - to what extent do they feel loyalty to their existing supplier ? why is this
 - do they know people who have switched energy supplier – what sort of people do they think would be most likely to do so
 - 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, bank etc? If so – why have they done this and not changed their energy supplier? Is it easier to change a bank or telecoms provider than an energy company? If so, why?
- 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 – if so what are these risks - 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
 - if not, why not – what is stopping them
 - how easy / hassle free would the process have to be to make them consider it

- 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, what information would they need and 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
- Have they ever been approached by a salesperson from an alternative supplier – how did they feel about that, and what did they do . Were they happy with / impressed by the information they were given by the salesperson or did they follow up to check out whether what the salesman told them was in fact the case – how did they go about this?
- For those who have not been approached this way – were they to receive a visit, would they want to check out the information given and how would they do this?
- Is that a good way for companies to try to encourage people to move to them. Salespeople from energy companies sometimes door knock in order to try to encourage people to change supplier - alternatively they sometimes are based at a local supermarket and approach people that way. How successful a way do they think this is for companies to encourage people to switch
 - if not successful or a good way to recruit customers, how should it be done – what would be better for the energy companies – and better for the customers
- Once the first approach had been made, what would/should happen next
 - and how could this process be made easier
- In what other ways do they think the process could be changed / improved to encourage more people to change – what else could be done

PRICING (10 MINUTES)

- How do they find out whether energy prices are going up or down? How does this influence their interest in switching? Generally how clear is it why energy prices are currently going up – are the explanations easy to understand and convincing?
- What do they imagine are the benefits of changing supplier? What would people expect to save, if anything? (NOTE HOW PEOPLE EXPRESS LIKELY SAVINGS) Would these be permanent or just short-term savings? What sort of saving would be attractive enough for them to consider switching – consider likelihood at different price levels – would they tend to think of that as saving so much per week, or so much annually? How would they like companies to express potential savings? To what extent are they put off by the thought that savings may be only short term?
- How would they feel if an energy company offered them some form of a “lump sum” incentive – buy 12 months and get one free / pay for 11 months and get the 12th free etc. Does anyone find this a more attractive proposition than a straightforward saving on their bill - whether weekly / monthly/ annual – relate this to how they pay
- How confident are they their current supplier offers them the best deals available? How do they know this?

EXAMPLES OF COMPARATIVE SWITCHING MATERIAL (15 MINS)

- Have they heard of Energywatch? What does Energywatch do?
 - SHOW EXAMPLES OF RELEVANT PRICE COMPARISONS –allow time to absorb information - at what point do the possible savings become attractive – how easy is this to understand – should information like this be more widely available – if so where / how
 - do they believe that this information is accurate and to be trusted or would they want to confirm it with others – if so who?
 - How easy is it to understand pricing information such as this and to compare prices across different energy companies – what figures do they tend to look at when making such comparisons – eg price per therm or unit / different tariff structures etc? were they aware that energy companies offer an online tariff?
- Explore use of internet / internet sites for things like switching supplier / comparing prices etc. How aware are they of such sites and how happy are they to use them SHOW EXAMPLES OF PRICE COMPARISONS FROM SITES How easy is it to understand this information? Are the savings sufficient to persuade people to switch? Would people want additional information, and if so, where would they seek it? If people wanted to switch would they go for the cheapest supplier, and if not, why?

JN 7476

OFGEM – MIX OF SWITCHERS/NON-SWITCHERS

TOPIC GUIDE

INTRODUCTION (5 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 - general views of their and other utility companies – what sort of image do they have of these companies – and what sort of dealings have they had with various companies – for what reasons and what quality of service have they received

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 so, why was that, and how easy was it
- If not changed payment method, have they ever considered it and what advantages might there be?
- And what about the possibility of moving to a different tariff with their existing supplier – has anyone thought about that or done that – how aware are they that energy companies offer different tariffs – how do they think these vary and how easy is it to understand the range of tariffs available
- If people have both their fuels from the same supplier, did they make this move in order to take advantage of the dual discount?
- What about the idea of fixed price deals – has anyone heard about these –if necessary explain. What advantage would they expect to get from this? Do they see the advantage as some sort of insurance at a time of rising fuel prices – if so what about when prices fall? How important is it to know what they will be paying for energy in the future – and if important, would they consider paying a premium for such a tariff? Why? What information would they need to know whether such a tariff was a good deal?
- And what about green tariffs – what do people think these might be – and is there any interest in these

SWITCHING SUPPLIER (35 MINS)

- And what about changing gas and or electricity supplier – how many have done this – once or more than once?
- Were those who have **not** switched previously aware they could do so?
 - do they know others who have switched? Why did they switch? Have the respondents themselves considered switching? Why/Why not? If considered but not switched why not? / how far did they actually get down the line / who were they going to switch to and what prompted that switch. Why did they not go through with the switch?
 - to what extent do they feel loyalty to their existing supplier/s? and why is this – probe fully
- What about in other markets – such as banks / mortgages / insurance / phones – what experience do they have of switching in any of these markets – do they think it is easier / more difficult in other markets to switch supplier – why is this? If switched other providers, but not energy, why is this?
- How would they / decide which energy provider to switch to? (NOTE ANY PREFERENCE FOR WELL KNOWN COMPANIES OR THOSE ASSOCIATED WITH SCOTLAND/WALES) How would they switch? Would they prefer to have someone knock on their door, or would they prefer to approach an energy company Have they ever been approached by a salesperson from an alternative supplier – how did they feel about that, and what did they do – how successful is this as a way of encouraging people to sign up
 - if they have been approached on the doorstep, were they happy with the information they were given, or did they follow up to check out whether what the salesman told them was actually the case – how did they / would they go about doing this, and do they think many people take salesmen's information at face value, or do some further checks?
 - can they imagine a situation where they might sign up on the doorstep, and then change their minds afterwards – why might this be – probe for whether some people might just sign up in order to get rid of a salesman, knowing they can back out later
 - if not successful, how should it be done – what would be better for the energy companies – and better for the customers
- How easy would they expect switching suppliers to be? What is this view based on? What problems might they expect? What information/materials do they think they would need to switch? Where would they find information?
- For **switchers**, what, more than anything else, was it that prompted them to switch / what were they hoping to achieve as a result of the switch? Was it just about saving money or was service a factor? How much did they expect to save? What level of saving would have been sufficient to persuade them to switch? (NOTE HOW PEOPLE EXPRESS SAVINGS)
- If they were approached / sold to, what information were they given and how useful was it – was the company they switched to able to answer all their questions / provide them with all they needed to know – if not, did they seek information elsewhere – and if so where. What was it that they really needed to know

- Had they been thinking about moving for some time or was it a relatively sudden decision – and had they ever considered moving before? If so how far did they actually get down the line. Why did they not go through with the switch? What was different this time? Did they maybe start off planning to switch to one company, but as they investigated further decided an alternative company was more attractive?
- Thinking about the switch, who instigated it – did they actively seek to switch 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 switch, how did they find out who they wanted to switch 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 switch to.
- 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?
- If they used a website to compare prices was it possible to switch via the site? If so did they? If it wasn't did that put them off at all?
- From their experience, are there other ways in which the whole process could have been made easier / could be made easier in the future

PRICE SAVINGS (10 MINUTES)

- How do they find out whether energy prices are going up or down? How does this influence their interest in switching? Generally how clear is it why energy prices are currently going up – are the explanations easy to understand, and convincing?
- When people switched supplier, what sort of level of savings were they hoping to make, and what would the minimum amount of money saved have to be to make it worth their while to switch? – and if switched, for how long did they expect the cost advantage to last for – up to a year or for a shorter length of time. In the event, how much of a saving have they made – has the move been worthwhile?
- And for non-switchers, what sort of saving would be attractive enough for them to consider switching (ASKED WITHOUT SPECIFYING A TIME PERIOD) – consider likelihood at different price levels – would they tend to think of that as saving so much per week, or so much annually? Why? How would they prefer companies to express potential savings? To what extent are they put off by the thought that savings may be only short term?
- How would they feel if an energy company offered them some form of a “lump sum” incentive – buy 12 months and get one free / pay for 11 months and get the 12th free etc. Does anyone find this a more attractive proposition than a straightforward saving on their bill – whether weekly / monthly/ annual – relate this to how they pay

- In the current uncertain market, is there any interest in maybe paying a little bit more in order for their price to be fixed for a period – a bit of a premium to give them certainty at a volatile time

EXAMPLES OF COMPARATIVE PRICING MATERIAL (10 MINUTES)

- What information was particularly helpful to them when they switched? - was this mainly / solely from websites or from other sources – what about information in the press / radio etc – what source/s do they consider to be most reliable and is there enough information available for people – when they look at comparative pricing information on switching websites, do they always trust the information and prices - do they believe what they are seeing? Do they just look at the information on websites or do they also look elsewhere to confirm what they have seen? Do they perhaps talk to other people about the options available and if so to whom?
- How easy is it to understand pricing information, and to compare prices across different energy companies – what figures do they tend to look at when making such comparisons – eg price per therm or unit / different tariff structures etc? were they aware that companies offer an online tariff?
- Did people look at price comparison sites? How helpful were these? Why? **LOOK AT EXAMPLES FROM PRICE COMPARISON WEB SITES AND EXPLAIN HOW CUSTOMERS CAN OBTAIN THIS INFORMATION** – how useful, clear and informative are these examples? Would they accept the comparisons or seek further information? Would they always go with the cheapest? Why/why not? –
- Have they heard of Energywatch? What does Energywatch do? – **SHOW EXAMPLES OF RELEVANT PRICE COMPARISONS** – at what point do the possible savings become attractive – how easy is this information to understand – should information like this be more widely available and if so, in this format or different

SWITCHING OUTCOMES (10 MINS)

- Non-switchers: What would they expect to be the benefits and disadvantages of changing supplier?
- Switchers – 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?
 - and what about looking ahead – would they consider switching again in the future – why / why not – if yes - to which company - why that company – what do they expect to gain from the switch
- All: Most people look to change supplier / method of payment to save money – roughly how much of a saving is needed to make a switch 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 they that their current supplier/s offers them the best option for their circumstances – how do they know

WRAP – UP (10 MINS)

- 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
- For those who haven't switched has anything they heard today from those who have switched made them more or less likely to switch in the future? What?
- 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

WRAP – UP (10 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