

# **Prompting engagement with and retention of written customer communications**

Final report prepared for Ofgem

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# Management Summary

# Management Summary

This report aims to help Ofgem understand what encourages consumers to open, read and retain written communications they receive from energy suppliers. In the long run, it is hoped that more effective communication will yield better-informed and more empowered consumers who are in a stronger position to choose the tariff that is best for them.

In compiling this report, we first conducted a Quick Scoping Review of available evidence, interrogating internet search engines with key search strings and utilising relevant article databases. We also hosted a brainstorm session with senior Ipsos MORI staff and conducted interviews with ten experts across the behaviour change, direct marketing, government communications and energy fields.

Finding evidence of verifiable quality was challenging: many sources provide little or even no methodological information, with some reflecting opinions rather than evidence. Much data was obtained from surveys which are self-reported and thus susceptible to bias towards socially desirable responses. Even where good quality evidence is available from other sectors, experts caution that it may not necessarily be transferable to the energy sector.

Our findings, based on the written evidence available and testimony of internal and external experts, were:

## Open

- Consumers tend to decide which mail items will be discarded unopened extremely quickly as they sort through their post daily
- Evidence suggests a large percentage of direct mail is opened, particularly if it pertains to a brand the consumer already has a relationship with
- Written communications may be more likely to be opened if they are personalised to the recipient, as opposed to being addressed to the “homeowner/present occupier”
- The associations consumers have with the visible branding on an envelope may affect the likelihood of it being opened, as well as the subsequent mindset when read
- Highlighting a communication as urgent can be effective, but if this is overused consumers may cease to believe it
- Evidence on the optimum colour is mixed: the official look of brown envelopes may indicate importance to some but put off others due to its association with bills or other ‘bad news’
- Email subject lines are important in encouraging opening, but consumers may react negatively if the subject makes promises that are not fulfilled in the body of the email
- Consumers may engage more with emails with a “from” address/ sender that means something to them

## Read

- Bills are generally read but many consumers only look at the amount owed
- Consumers tend to scan communications quickly for the key points: this could be facilitated by
  - Brief, clearly written communications that avoid jargon
  - Focussing on one key message per communication
  - Using text boxes, bold text and colours to highlight vital information
- There is a lack of consensus on the optimum day to send communications. Seasonality may be more important e.g. the turn of the financial year may be fruitful
- Consumers may be more likely to act on communications if they are able and encouraged to do so straight away, and if they are prompted by alternative stimuli
- Energy consumers may query the motives of suppliers in providing information that purports to help them save money given the pervasive lack of trust in the sector
- Consumers tend to prefer communications that are written in a tone that is formal without appearing authoritative

## Retain

- There is limited evidence about retention which is perhaps because many companies are far less concerned with retention than the communication resulting in a sale or other desired action. The evidence that does exist is self-reported by consumers
- Evidence suggests retention depends more on demographic factors and individuals' psychological characteristics than the communication itself
- Experts suggested that consumers may be more likely to retain if encouraged to do so by messages in the communication, which may make use of incentives
- Consumers may benefit from guidance explaining how long to keep communications

# Introduction

# Introduction

## Objectives

Ofgem hopes to understand how to improve the quality of information provided to consumers to empower them to make better informed decisions about their choice of tariff. To do this, it is necessary to learn what is effective in encouraging consumers to open, read and keep key written communications. This report seeks to summarise existing evidence and experience about what encourages consumers to engage and retain written communications they receive from energy suppliers.

Energy is a universal need, and almost all households in the UK receive energy communications. However, there is evidence that engagement with such communications is low. As the evidence we present here highlights, while it is likely that only a small number of consumers discard key communications without opening them, most pay relatively little attention beyond the information which interests them.

## Background

In general, most people say they open, read and retain important post. Royal Mail's Mail Media Centre has found that even direct mail<sup>1</sup> is opened by most consumers. They found in 2010 that people open 88% of direct mail from water suppliers, 91% from telecommunications providers, and 98% of personal banking mail despite the fact that most people will not be customers of the business in question.<sup>2</sup>

However, Consumer Focus found in 2011 that 5% of people receiving paper bills never open them.<sup>3</sup> Because tailoring messages to certain consumer types can help increase engagement, it is important to understand which groups are less likely to open their bills and which factors might encourage them to do so. The first section of this report focuses on this aspect of engaging with mail.

According to a study by Consumer Focus, 77% of people receiving paper energy bills say they always read them as soon as they arrive.<sup>4</sup> This figure falls to 57% of consumers who are billed online,<sup>5</sup> suggesting that it is particularly challenging to encourage consumers to engage via the online channel. The vast majority (81%) of consumers, however, only look at their bill to see how much they owe, ignoring the rest of the information provided.<sup>6</sup> The major challenge is therefore to encourage engagement with the document beyond this key piece of information, and the second section of the report explores how this might be achieved.

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<sup>1</sup> Direct mail is defined by Merria-Webster as "printed matter (as circulars) prepared for soliciting business or contributions and mailed directly to individuals", accessed online on 12 October 2012 at <<http://www.merriam-webster.com/dictionary/direct%20mail>>

<sup>2</sup> Mail Media Centre, *Mail Volumes and Response Rates by Industry Sector 2010*, (20 April 2011), accessed online at <<http://www.mmc.co.uk/Knowledge-centre/Facts--Figures/Mail-Volumes-and-Response-Rates-by-industry-sector-2010/>> on 03 Sep 2012

<sup>3</sup> Hannah Mummery and Gillian Cooper, *Missing the mark: Consumers, energy bills, annual statements and behaviour change* (London: Consumer Focus, 2011): 10.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*, 9.



Empirical data on the number of people who retain or say they physically retain their bills is unavailable. Experts suggest that retention rates are high, but caution that reasons for retention may have more to do with the need to have a proof of address on file than because consumers believe they will need to refer back to the information contained in their bills and other communications. Experts also refer to different styles of financial management, making the obvious but important point that more organised people are more likely to file their mail. Strategies to prompt those who are less organised may therefore result in higher retention rates. The final section of this report discusses what is known about mail retention and strategies suggested by experts to encourage people to file their bills.

## Methodology

More details about the methodology can be found in Appendix A.

### Evidence review

In order to identify and assess the information required for this project, and given that a fully systematic review of evidence was not feasible given the timescale available, a Quick Scoping Review was conducted. This approach has the advantage of combining the rigour of defining key search parameters to limit and shape the scope of the review with the flexibility to include various levels of evidence from a range of sectors. This pragmatic approach was organised through the definition of the research questions; the identification of the search sources; the terms of the search; and the structure of the primary analysis.

### Ipsos MORI brainstorm

Ipsos MORI has conducted a large amount of research about the attitudes and behaviour of consumers, behaviour change and the impact of various factors on postal and email survey response rates. A session was therefore conducted with six Ipsos MORI Directors and Associate Directors to collate this evidence and brainstorm additional sources of evidence and search terms.

### Expert interviews

Ten in-depth interviews were conducted by telephone with professionals with experience of direct marketing, online marketing, public sector communications, information design, energy communications and bill design, as well as experts in psychology and behaviour change. These took place concurrently with the evidence review to enable the recruitment of specific individuals whose knowledge and experience could help fill remaining evidence gaps and expand on those issues that had already been identified as being particularly relevant.

The interviews provided evidence that is not available in writing or in the public domain, as well as ideas that make intuitive sense but have not yet been tested. Interviewees also identified case studies, which were often highly relevant.

## The limits of the evidence

This report presents the relevant available evidence gathered. It should be noted that verifying the quality of this evidence was sometimes difficult. Some reports do not present the methodology used to collect the data, or other information that would enable a more thorough understanding of the robustness of the data, such as base sizes, respondent profiles, and fieldwork areas and dates.

Moreover, the bulk of the evidence relies on surveys as the data collection technique. Survey findings on the topic of behaviours around opening bills and other 'official' written communications should be interpreted with caution, as they constitute self-reported data and respondents may tend towards reporting the behaviours that they perceive to be socially desirable.

Many of the experts confirmed the lack of published evidence on topics related to this review. They also caution that transferring learning from other sectors to energy communications may be risky for a number of reasons. The main issue is that people tend to 'compartmentalise'; that is, they have different expectations for different types of communications, and will be in a different mind-set when they are engaging with one type than another. Several of the experts interviewed for this study therefore cautioned against the transfer of any learning, including from other utilities such as telecoms, without first testing how energy consumers react to it. Others highlighted that in their experience, the transferability of other findings; such as those around the channel of communication and recipient audience; may also be limited.

**Open**

# Open

The first challenge in improving consumer engagement with written communications is ensuring that they are opened. Adults receive an average of 1.5 addressed items of post each day, so there is a certain amount of competition for attention.<sup>7</sup> For postal communications, the evidence review suggests that most consumers open most or all of their post as a matter of course.<sup>8</sup> In addition research shows that aspects of mailings that consumers see before an envelope is opened, and are therefore likely to affect opening rates, will also contribute to consumer engagement after opening. It is therefore important to create a good first impression with customers, even if many would open the envelope regardless.

## How do consumers sort their post?

Qualitative research conducted by the Royal Mail helps explain the process consumers go through as they first evaluate their mail. Eye-tracking technology was used to monitor where participants' eyes looked during the process of sorting, opening and reading their post. The research found that most people divide their mail into three types:

1. Items that are to be opened immediately, such as personal letters, statements and bills;
2. Those that are put aside to be read later, such as catalogues; and
3. Items which are immediately discarded without being opened.

When participants were asked to sort **ten items** that had been posted through their door, the sorting process took an average of just **38 seconds**. One of the experts we interviewed suggested that due to the "Hawthorne Effect"<sup>9</sup> participants may have taken more care to sort their post in this experiment as they knew they were being watched. Without observation, would they usually take even less time?<sup>10</sup> These findings suggest that energy companies will need to continue to work at the effectiveness of their customer communications to ensure they are categorised as 'open immediately'.

Several of the experts we spoke to confirmed that people triage their mail, although the patterns they discussed varied slightly. An interviewee from an energy supplier, for example, stated that people sort their mail in five stages. They first open personal mail with hand-written envelopes, then official-looking mail (often in brown envelopes), then anything that looks like it may be a bill, then direct mail and catalogues, and finally untargeted mail.

## What do consumers open?

A survey of over 40,000 people by the Institute of Practitioners in Advertising (IPA) found that many consumers do discriminate between different types of post, with fewer than half (48%) claiming to open all of their post.<sup>11</sup> It is possible that this number is an overestimate since

<sup>7</sup> Ipsos MediaCT, "Unwrapping Touchpoints," <<http://www.unwrappingtouchpoints.com/3i-commchannels-admail.html#>>.

<sup>8</sup> Mail Media Centre, *Mail Volumes and Response Rates by Industry Sector 2010*, (20 April 2011), accessed online at <<http://www.mmc.co.uk/Knowledge-centre/Facts--Figures/Mail-Volumes-and-Response-Rates-by-industry-sector-2010/>> on 03 Sep 2012

<sup>9</sup> Richard Gillespie, *Manufacturing Knowledge: A History of the Hawthorne Experiments*. Cambridge: Cambridge University Press, 1991

<sup>10</sup> Expert interview

<sup>11</sup> IPA TouchPoints4 Hub Survey

respondents may give answers that reflect what they think is socially desirable, rather than their own behaviours.<sup>12</sup>

Published evidence about what post consumers do open is almost entirely limited to studies of direct mail response rates and mailed directly to individuals and surveys which measure people's reported behaviour around post in general which can be susceptible to social desirability bias. In other words, there is a lack of independent evaluation of what post is actually opened. From the expert interviews it is clear that many businesses conduct research which seeks to understand the effectiveness of their customer communications, but the details of this work are not published because of its commercially sensitive nature.

However, the Royal Mail's Mail Media Centre (MMC) has undertaken numerous studies on direct mail effectiveness and readership patterns with consumers in general, rather than seeking to measure the success of post sent by businesses to their existing customers.

Although they do not provide data on the energy sector, they found that a very high percentage of direct mail is opened in similar sectors. For example, their research into mail volumes and response rates by industry sector found that consumers claim to open 88% of direct mail from water companies, 98% from banks, 88% from charities and 91% from telecommunications providers.<sup>13</sup>

Other studies have found that individuals are more likely to open post from a brand they already have a relationship with. A large majority (90%) of consumers say they are more likely to open mail if they are the customer of the sender,<sup>14</sup> which suggests that postal opening rates among customers are likely to be even higher than open rates for direct mail. Supporting this, Consumer Focus research found that 77% of customers who receive paper bills read them as soon as they arrive.<sup>15</sup> One of the energy suppliers interviewed for this research confirmed that its call centre receives higher call volumes the evening that customers receive bills and the following day, suggesting that customers do open bills promptly.

This evidence of such high opening rates suggests that most people will open postal communications they receive from their energy company. This hypothesis is corroborated by the experience of one of our expert interviewees:

**“Most people open the envelope. Unless it’s an obvious selling message from a brand you’ve had no contact with or you dislike, you’ll open the envelope.”<sup>16</sup>**

In addition, another expert said,

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<sup>12</sup> Expert interview

<sup>13</sup> Mail Media Centre, *Mail Volumes and Response Rates by Industry Sector 2010*, (20 April 2011) , accessed online at <<http://www.mmc.co.uk/Knowledge-centre/Facts--Figures/Mail-Volumes-and-Response-Rates-by-industry-sector-2010/>> on 03 Sep 2012

<sup>14</sup> Mail Media Centre, *Direct Mail Effectiveness*, (15 Jun 2011), accessed online at <<http://www.mmc.co.uk/Knowledge-centre/Facts--Figures/Direct-Mail-Effectiveness/>> on 20 Aug 2012

<sup>15</sup> Hannah Mummery and Gillian Cooper, *Missing the mark: Consumers, energy bills, annual statements and behaviour change* (London: Consumer Focus, 2011):

<sup>16</sup> Marc Michaels. Marc was the Director of Direct Marketing and Evaluation at the Central Office of Information before its closure earlier this year, where he oversaw more than 5,000 direct marketing campaigns over a 25 year period.

## **“People will open envelopes from brands they are aware of having a relationship with.”**

### **Who opens post?**

There are small differences between demographic groups when it comes to opening direct mail. MMC research found that 10.1% of direct mail is discarded unopened by 25-34 year olds, compared with 6.7% of 45-54 year olds, 8.4% of 55-64 year olds and 7.2% of those aged 65 and over.<sup>17</sup> TouchPoints data shows that younger people under age 35 are less likely to open everything than older people aged 65+, and are more likely to be influenced by how the mail looks, whether or not it is personalised, and whether they have already seen or heard something about it before.<sup>18</sup> In terms of mail from utilities specifically, there is little difference by age for reading this kind of mail or requesting further information as a result.<sup>19</sup>

Part of the explanation for this trend may come from how younger people manage their personal business. Ofcom research shows that 25-44 year olds are significantly more likely to use the internet for transactions than those aged 45-64, with those aged 65 and over less likely still.<sup>20</sup>

There is also some variation across social class, with those in higher social classes more likely to throw away direct mail without opening it: 9.6% of mail is discarded unopened by those in classes AB, whereas only 6.9% is similarly ignored by members of group E.<sup>21</sup> However, TouchPoints data shows that while this finding holds true for certain types of direct mail, such as from banks, broadband suppliers and charities, it is not the case for direct mail from utilities.<sup>22</sup> One expert suggested that this may be due to lower socio-economic groups being more susceptible to social desirability bias.<sup>23</sup>

The TouchPoints data also shows that men and women interact with mail differently. Men are more likely than women to receive and read direct mail regarding utilities: 49% of men say they receive direct mail regarding utilities vs. 43% of women, and 17% of men say they have read such mail in the last four weeks, vs. 14% of women. However, similar proportions of men and women (3% respectively) ask for more information as a result of receiving direct mail from utilities.<sup>24</sup>

Some of the experts interviewed as part of this project pointed out that consumers who engage with energy companies online – as well as those who deal with banks, telecommunications companies and other utilities online – may be more likely to believe that mail they receive from these companies is marketing material since their main transactions occur online. This could make them more likely to discard mail without opening it.

<sup>17</sup> Mail Media Centre, *Mail Volumes and Response Rates by Industry Sector 2010*, (20 April 2011), accessed online at <<http://www.mmc.co.uk/Knowledge-centre/Facts--Figures/Mail-Volumes-and-Response-Rates-by-industry-sector-2010/>> on 03 Sep 2012

<sup>18</sup> IPA TouchPoints4 Hub Survey

<sup>19</sup> IPA TouchPoints4 Hub Survey

<sup>20</sup> [Ofcom](http://www.ofcom.gov.uk/research-and-statistics/compendia/2012/adults-media-use-and-attitudes-report/), *Adults Media Use and Attitudes Report* (2012)

<sup>21</sup> Mail Media Centre, *Mail Volumes and Response Rates by Industry Sector 2010*, (20 April 2011), accessed online at <<http://www.mmc.co.uk/Knowledge-centre/Facts--Figures/Mail-Volumes-and-Response-Rates-by-industry-sector-2010/>> on 03 Sep 2012

<sup>22</sup> IPA TouchPoints4 Hub Survey

<sup>23</sup> Expert interview

<sup>24</sup> IPA TouchPoints4 Hub Survey

## What encourages consumers to open post?

Although most post is opened, there are factors which seem to make a difference to consumer engagement with post.

### Personalisation

Consumers appear to be more likely to engage with mailings they receive if they are personalised. The Royal Mail's eye tracking research found that items addressed "Dear homeowner" and similar are not granted as much attention as those that are personally addressed.<sup>25</sup> Consumer Focus found that consumers are "interested in information that is specific to their needs and circumstances"<sup>26</sup>, and a personalised communication is considered more likely to meet these criteria.

There is further support for personalisation in academic marketing literature. Personalisation is associated with significant increases in direct mail response rates.<sup>27</sup> This is attributed to consumers responding positively to the fact that the sender knows who they are.<sup>28</sup> Based on their experience, many marketing professionals recommend the personalisation of addresses, even if much of the supporting evidence remains unpublished.<sup>29</sup>

This consensus about the value of personalisation is reflected in the findings from a survey of marketing consumers and direct marketing professionals which assessed direct mail envelope characteristics which are perceived as important in getting consumers to open post. Both practitioners and consumers agreed that a handwritten envelope is particularly effective.<sup>30</sup> A study of 478 respondents, most of whom were students, found that "personalised envelope characteristics have significant positive effects on envelope opening intention."<sup>31</sup> Don A. Dillman also highlights personalised correspondence as a key driver in boosting postal survey response rates by 5 to 11%.<sup>32</sup>

The brainstorm we conducted with senior Ipsos MORI staff similarly emphasised that personalised correspondence is vital to increased engagement. Several of the attendees explicitly referred to its importance, including for electronic communications. Our expert interviewees also reported that appropriate personalisation yields better response rates, although more personalised communications have a higher cost.

<sup>25</sup> Royal Mail, "Through the Letter Box": eye tracking research conducted August 2010, (2011), accessed online at < <http://www.mmc.co.uk/Knowledge-centre/Expert-advice/Through-the-letterbox-eye-tracking-research/>> on 22 Aug 2012

<sup>26</sup> Hannah Mummery and Gillian Cooper, *Missing the mark: Consumers, energy bills, annual statements and behaviour change* (London: Consumer Focus, 2011):

<sup>27</sup> Stewart –Allen, A, "Getting To Know You", *Market Leader* (21, Summer 2003), accessed online at <<http://www.warc.com/Content/ContentViewer.aspx?MasterContentRef=f4dca97d-2d84-4160-8134-81668c46fadf>> on 20 Aug 2012

Konni Hoferichter, *Increase direct mail response rate by 30%*, (Biz Community, 2007), accessed online at, < <http://www.bizcommunity.com/Article/196/73/18913.html> > on 23 Aug 2012

<sup>29</sup> Eric Brantner, *How to Increase Your Direct Mail Response Rate*, (2009), accessed online at <<http://www.seohosting.com/blog/copywriting/how-to-increase-your-direct-mail-response-rate/>> on 23 Aug 2012)

<sup>30</sup> E. Lincoln James, Hairong Li, "Why do consumers open direct mail?: Contrasting perspectives", *Journal of Direct Marketing*, (Volume 7, Issue 2, 1993, Pages 34-40).

<sup>31</sup> Clinton Amos & Audhesh Paswan (2009): "Getting past the trash bin: Attribution about envelope message, envelope characteristics, and intention to open direct mail." *Journal of Marketing Communications*, 15:4, 247-265

<sup>32</sup> Don A. Dillman (2007): "Mail and Internet Surveys: The Tailored Design Method", p152 (Wiley, Hoboken)

## Branding

Several experts have drawn our attention to the importance of the branding on an envelope. Brand associations can encourage or discourage consumer engagement depending on the existing relationship they have with that brand. Participants in the Royal Mail's eye-tracking research paid more attention to mailings with clearly visible branding.<sup>33</sup> Experts also feel branding makes a difference at later stages of the process, helping shape the mindset consumers have when engaging with the content.

Envelope branding which makes it clear who the communication is from can help improve response rates. Research conducted by the Royal Mail found that 90% of consumers are more likely to open mail if they are a customer of the sender.<sup>34</sup> An energy supplier concurred that this was one reason why they put their logo on their envelopes. Several of our expert interviews argued that envelopes that are not opened by consumers are usually from a brand they do not know or trust.

One problem that is particular to the energy market is that consumers tend to hold energy providers in low regard, including their own.<sup>35</sup> This means that many will have a negative association with the branding of an energy company even if they are already a consumer. Given this negative opinion of energy providers, one of the experts from Ipsos MORI's Research Methods Centre who participated in our brainstorm suggested that Ofgem or other neutral branding such as Which? or Consumer Focus might be more successful in encouraging consumer engagement with energy-related communications.

A further suggestion from the workshop was that even if consumers are unfamiliar with Ofgem are and what they do, the Of--- name may be familiar to them in the guise of other regulators such as Ofsted and Ofcom. This may help consumers recognise that Ofgem is independent and therefore less likely to be attempting to sell them something. In this way, the use of neutral energy-related branding on envelopes could help to increase the trust consumers have that the mailing is not promotional.

Marc Michaels provided us with information on a case study whereby the organisation responsible for the mailing utilised the branding of another on the envelope in order to "borrow" credibility. In this case, the '[Fatty Cigarettes](#)' campaign, it was felt that British Heart Foundation branding would elicit better response to a campaign encouraging smokers to quit than the Department of Health logo.<sup>36</sup>

The importance of the associations individuals have with the organisational branding on an envelope was also highlighted by Ipsos MORI research into response rates for the Place

<sup>33</sup> Royal Mail, "*Through the Letter Box*": eye tracking research conducted August 2010, (2011), accessed online at < <http://www.mmc.co.uk/Knowledge-centre/Expert-advice/Through-the-letter-box-eye-tracking-research/>> on 22 Aug 2012

<sup>34</sup> Mail Media Centre, *Direct Mail Effectiveness*, (15 Jun 2011), accessed online at <<http://www.mmc.co.uk/Knowledge-centre/Facts--Figures/Direct-Mail-Effectiveness/>> on 20 Aug

<sup>35</sup> Harrabin, Roger: "Distrust could hamper Green Deal", 30 May 2012; accessed online at <<http://www.bbc.co.uk/news/science-environment-18253561>> on 13 Sept 2012

<sup>36</sup> McBride, Betty and Guar, Colin: "The BHF's 'Fatty Cigarette' campaign - using Direct Marketing to increase cessation rates" (2005) accessed online at <[http://www.uknsc.org/2005\\_UKNSCC/speakers/colin\\_gruar.html](http://www.uknsc.org/2005_UKNSCC/speakers/colin_gruar.html)>



Survey. In piloting the 2008 survey, Ipsos MORI experimented with different brands: the relevant local council, Local Strategic Partnership, and Ipsos MORI itself. The results showed that in using local council branding in areas where residents have a positive view of the council increased response rates with respect to the other branding options, and decreased response rates where people had a negative association.<sup>37</sup>

### **Communicating immediacy or urgency**

Energy consumers are unlikely to bin something that is clearly labelled as being from their own energy supplier.<sup>38</sup> With this in mind, the challenge for energy companies is not to encourage consumers to open the envelope *per se* but to create a sense of immediacy such that they open and read it straight away, and take immediate action where appropriate.<sup>39</sup>

One strategy often used by marketers is to print “Urgent”, “Please read immediately” or “Not a circular” on the envelope. However, one of the experts we consulted pointed to the importance of building trust in the use of this tool: if it is overused, and consumers become accustomed to opening mail misleadingly labelled as urgent then they may come to ignore this proclamation.<sup>40</sup> Similarly, one of the participants in our Ipsos MORI brainstorm stated that in his experience, the use of messages to highlight urgency can have the opposite effect to that intended.<sup>41</sup> External experts also argue that consumers are more likely to believe that communications marked “URGENT” or similar really are if they have a good relationship with their energy supplier and receive only occasional communications marked in this way.

Dillman’s work on postal survey design has found that a further means of communicating immediacy is via the use of different stimuli. In the context of surveys, sending a reminder postcard to a non-respondent is more effective in communicating the need to complete an unreturned questionnaire than merely mailing out a repeat of the initial survey. Evidence suggests reminder postcards sent between initial and repeat questionnaires can increase response rates by 7-8% compared with two questionnaires alone.<sup>42</sup> This suggests that companies might initially be more successful in chasing an unpaid bill with a reminder postcard or other alternative format rather than sending an additional bill.

Similarly, a postcard could also be used to prime consumers in anticipation of a future mailing. For example, consumers could be advised that they will receive an annual statement from their energy company by a postcard a week in advance. The postcard could communicate the importance of opening, reading and retaining the statement, which would thus be expected by consumers, who would be aware in advance of its importance. The benefits of such a strategy were suggested both in the Ipsos MORI brainstorm and by some expert interviewees.

### **Other types of envelope messages**

An energy supplier believes that putting a simple, punchy promotional message on the outside of a bill envelope does encourage opening. Examples of this include “Offer inside” or “We’ve recently redesigned your bill”. The messages are not a call to action but are designed to catch people’s attention and pique their interest.

<sup>37</sup> [Department](#) for Communities and Local Government, *Developing the new Place Survey 2008: Final Report*, (2009)

<sup>38</sup> Expert interview

<sup>39</sup> Expert interview

<sup>40</sup> Expert interview

<sup>41</sup> Ipsos MORI brainstorm, 22 Aug 2012

<sup>42</sup> Don A. Dillman (2007): “Mail and Internet Surveys: The Tailored Design Method”, p178

However, one of the expert interviewees referred to an unpublished study by a telephone provider which found that if the company put a message about a special offer on the envelope, this reduced open rates.<sup>43</sup>

The University of Wisconsin (UW) Survey Center conducted research into the type of messages on envelopes that would encourage people to respond to surveys and found that there was no effect on envelope messaging on the response rate to the survey, but pointed to prior research which found that the effect of messages was in fact negative.<sup>44</sup> Of course, caution should be used in interpreting this finding in the context of opening energy bills, as the UW research tracked response rates, not open rates, and related to surveys rather than energy bills.

## Colour

Based on expert opinion and available evidence there is no clear consensus about the optimum colour for envelopes used in important communications. As would be expected, different people react differently to visual stimuli therefore there is no one colour that is “best”. For example, various experiments have suggested that red evokes avoidance.<sup>45 46</sup> However, there is agreement that the envelope colour for important communications from energy companies should communicate seriousness.

Some evidence points to brown envelopes having a negative effect on consumer engagement. Research conducted by Ipsos MORI for the Department of Work and Pensions (DWP) suggests that for some people brown envelopes are associated with bills and bad news and therefore risk being ignored. The research indicates this depends on consumer segmentation: poor financial managers in particular would need a reason to open the envelope in the first place to benefit from new messaging on the letter within.<sup>47 48</sup> Research of TV licensing communications also suggested that brown envelopes “signal an authoritarian brand which maintains distance from the customer.”<sup>49</sup>

One expert suggested that more impulsive people may be more likely to ignore envelopes they think may convey ‘bad news’ because it gives them immediate gratification not to become stressed or worried about it. Similarly, another expert agreed that the use of brown can put some people off because of its association with tax.<sup>50</sup>

According to one of our experts, one Government Department’s experience of communicating with pensioners found that the use of manila envelopes - which are thick and durable thus ensuring their contents arrive in good condition - indicated that their contents were important and worthy of greater attention.<sup>51</sup> In the view of experts from another Government Department, brown envelopes were in the past associated with post people did

<sup>43</sup> Expert interview

<sup>44</sup> Karen Jaques & Rae Ganci, *Designing Envelopes to Encourage Response: Considerations and Effects of Experimentation* (University of Wisconsin Survey Centre, 2012): 21, accessed online on 17 September 2012 at <[http://www.uwsc.wisc.edu/2012fd/IFDTC2012\\_DesigningEnvelopes.pdf](http://www.uwsc.wisc.edu/2012fd/IFDTC2012_DesigningEnvelopes.pdf)>.

<sup>45</sup> Elliot, A. J., & Maier, M. A. (2007). “Color and psychological functioning”. *Current Directions in Psychological Science*, 16, 250–254.

<sup>46</sup> Maier, M. A., Elliot, A. J., & Lichtenfeld, S. (2008). “Mediation of the negative effect of red on intellectual performance”. *Personality and Social Psychology Bulletin*, 34, 1530–1540.

<sup>47</sup> Ipsos MORI brainstorm, 22 Aug 2012

<sup>48</sup> Qualitative research to explore tax credits customers’ renewal behaviour- HMRC Revenue and Customs Research Report

<sup>49</sup> Dr Alex Gordon & Debi Bester, *Family Semiotics, Discourse Analysis: Renewing the Meaning of the TV Licence*,

<sup>50</sup> Expert interview

<sup>51</sup> Expert interview

not want to open, but they felt this had perception had changed, and so were not overly concerned about using brown envelopes for their communications.

A study Ipsos MORI conducted for the Environment Agency (EA) also found mixed results on the issue of envelope colour. Households were sent one of two mailings concerning flood warnings, an “official” mailing using brown envelopes and an “emotional” mailing using coloured envelopes. Whilst some participants said the brown envelope “frightened” them, overall 50% agreed that the more official appearance encouraged them to open the letter, compared with 28% who disagreed.<sup>52</sup> Overall, the study found that the purple colour drew attention better than the brown envelope but did not communicate the same level of seriousness.<sup>53</sup> In line with this, Royal Mail’s eye-tracking study also found that more attention was paid to brightly coloured envelopes.<sup>54</sup>

This suggests that energy companies could encourage consumer engagement by using more brightly coloured envelopes, but this must be balanced against the risk of being taken less seriously. One of our expert interviewees explained that consumers compartmentalise and have different expectations of different organisations.<sup>55</sup> They may welcome brightly coloured materials from a travel agent or retailer, but many would expect a more sober colour scheme from their energy supplier. However, one of the energy suppliers we interviewed uses white envelopes precisely so that coloured text or images will stand out more.

### How consumers manage their accounts

One possible explanation for a lack of engagement with written communications is that many consumers pay their bills by direct debit, and as such may be less concerned with communications from their supplier. One of our expert interviewees described those on direct debit as being unlikely to feel they need to be “hands-on” regarding their engagement with energy providers.<sup>56</sup> An expert interviewee said that some direct debit customers will discard their bills without opening.<sup>57</sup>

### Opening emails

Earlier in this report we quoted Consumer Focus research<sup>58</sup> which found that 77% of customers who receive paper bills say that they read them as soon as they arrive. The corresponding figure for those who receive their bill online was lower at 57%. This could either represent evidence that ‘online consumers’ are relatively less engaged in their bills than ‘offline consumers’; or simply evidence that online consumers take longer to get round to reading emails than offline consumers take to open mail.

When it comes to encouraging consumers to open email communications in general, the focus in the marketing literature is on subject lines. Quantitative analysis of email marketing conducted at Kingston University found that there is a statistically significant positive

<sup>52</sup> Ipsos MORI/Environment Agency research on flooding communications

<sup>53</sup> Ipsos MORI/Environment Agency research on flooding communications

<sup>54</sup> Royal Mail, “*Through the Letter Box*”: eye tracking research conducted August 2010, (2011), accessed online at < <http://www.mmc.co.uk/Knowledge-centre/Expert-advice/Through-the-letterbox-eye-tracking-research/>> on 22 Aug 2012

<sup>55</sup> Expert interview

<sup>56</sup> Expert interview

<sup>57</sup> Expert interview

<sup>58</sup> Hannah Mummery and Gillian Cooper, *Missing the mark: Consumers, energy bills, annual statements and behaviour change* (London: Consumer Focus, 2011):

relationship between an attractive subject line and response rates. However, this research does not describe what it means by an attractive subject line.<sup>59</sup>

The subject line is significant because it and the identity of the sender are the only means of persuading consumers to open emails. Whereas postal communications can use personalisation and colour to encouraging opening, in email communications these elements will generally be confined to the body of the email.

An online research expert who contributed to the Ipsos MORI brainstorm described the delicate balancing inherent in designing effective email subject lines. They must be appealing such that the email is opened, but if subject lines use incentives to encourage opening that are not delivered through the contents of the email this will be poorly received by consumers<sup>60</sup>, decreasing the trust they have in the sender. It is also important to ensure consistency as this helps reassure the customer that the email is genuine,<sup>61</sup> as they can easily compare it with previous communications.

Although the evidence indicates that subject lines are important, one of our expert interviews suggested that individual email subjects that attract attention change rapidly, therefore companies may need to continuously test and re-test.<sup>62</sup> However, this may be more relevant for promotional than transactional emails, with ensuring subject lines are consistent and informative more important than making them attention grabbing.

Our brainstorm also highlighted the importance of the “from” address. Experts argued that consumers need this to mean something to them, such that they trust it and are encouraged to open the email.<sup>63</sup> This could be considered analogous to the importance of branding on postal communication. There is no specific evidence in the literature to support this view.

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<sup>59</sup> Ruth Rettie, “Email marketing: Success factors” (Kingston Business School, 2002)

<sup>60</sup> Ipsos MORI brainstorm, 22 Aug 2012

<sup>61</sup> Ipsos MORI brainstorm, 22 Aug 2012

<sup>62</sup> Expert interview

<sup>63</sup> Ipsos MORI brainstorm, 22 Aug 2012

**Read**

# Read

A Consumer Focus study found that while 77% of consumers who receive paper bills say they always read them as soon as they arrive, 81% of consumers admit that they only read their bills to see what they owe,<sup>64</sup> and a large survey of consumers conducted in the utilities sector in Australia also found that the initial focus on reading the bill was the amount owed.<sup>65</sup> In contrast, just 41% say they look at the bill to see how much energy they've used.<sup>66</sup>

Evidence from the literature review and expert testimony both suggest that many consumers tend to scan written communications quickly in order to digest key points. Communications that are clear, concise and use visual clues such as text boxes to indicate important information will facilitate this process. Moreover, experts suggest that when reading energy bills, consumers often already have in mind the information they are looking for, and may therefore ignore other information presented on the bill.

Much of what the literature and experts highlight is already considered best practice for designing paper documents and emails. Despite these techniques being in widespread use by businesses and government there are few examples of specific examples being tested empirically.

## Brevity and clarity

The Royal Mail's eye-tracking research has shown that people tend to scan post quickly for key points.<sup>67</sup> External experts agree that consumers are put off by communications which use long sentences and paragraphs. They highlight the need for companies to keep written communications simple.

Similarly, with reference to the financial sector, Irene Etzkorn recommends that companies avoid jargon as this makes it more challenging for consumers to understand what they are reading.<sup>68</sup> Although empirical evidence is not provided in this article the author has many years experience in business simplification.<sup>69</sup>

Evidence for the importance of short, clear communications comes from qualitative research such as Environment Agency focus groups on flood warnings. Clarity and concision were highlighted by participants as making it easier to digest the key information.<sup>70</sup>

Regarding electronic communications, empirically tested research conducted at Kingston University found that response rates to e-marketing emails were inversely related to the length of the email.<sup>71</sup>

<sup>64</sup> Hannah Mummery and Gillian Cooper, *Missing the mark: Consumers, energy bills, annual statements and behaviour change* (London: Consumer Focus, 2011): 9.

<sup>65</sup> Reference TBC

<sup>66</sup> Hannah Mummery and Gillian Cooper, *Missing the mark: Consumers, energy bills, annual statements and behaviour change* (London: Consumer Focus, 2011): 9.

<sup>67</sup> Royal Mail, "Through the Letter Box": eye tracking research conducted August 2010, (2011), accessed online at < <http://www.mmc.co.uk/Knowledge-centre/Expert-advice/Through-the-letterbox-eye-tracking-research/>> on 22 Aug 2012

<sup>68</sup> Irene Etzkorn, "How financial paperwork can build your brand.", *Admap* (Issue 463, July 2005)

<sup>69</sup> Irene Etzkorn is the founder and Executive Director of the simplification practice at Siegel and Gale and currently working on a book on business simplification.

<sup>70</sup> Ipsos MORI/Environment Agency research on flooding communications

<sup>71</sup> Ruth Rettie, "Email marketing: Success factors" (Kingston Business School, 2002)

Some experts argue that length per se is not the only issue, and that consumers engage better if there is one message in each mailing. One expert interview highlighted that communications should focus on a single message.<sup>72</sup> This finding is in line with the Lawes report, commissioned by Ofgem that recommended annual statements be sent separately to bills.<sup>73</sup>

Research for the Energy Retail Association found that recall of messages containing information on cheaper tariffs was twice as high when the message was included on the bill than on a separate leaflet included with the bill.<sup>74</sup> Nevertheless, overall spontaneous recall of the message was only 4%, rising to 27% when prompted by the interviewer.<sup>75</sup> This suggests that although supplementary information is noticed more on the bill than on a leaflet, recall would perhaps be higher if it were sent in a separate mailing.

## Highlighting key information

Even for written communications that are concise, clear and brief, our research suggests there are additional ways to facilitate engagement and comprehension by consumers. In considering how best to do this there is clearly a tension between giving consumers the information they want (principally, the amount owed) and encouraging them to engage with the detailed information provided by suppliers. There is an additional issue which is that a large proportion of the population struggles with 'strategic reading'; that is, reading while monitoring one's own understanding of the content and searching for the answer to the question one would like to answer.<sup>76</sup>

One way of helping to resolve this tension between providing a lot of information and making the most desired pieces of information stand out, and which also helps people who struggle to read strategically, one expert has suggested, is by 'layering' the information so that it is easy for the consumer immediately to find what they are looking for, but there are clear signposts to supplementary information for those who may want more detail. The re-designed British Gas bill provides an example of this<sup>77</sup>: it features the amount owed in large text, surrounded by a white circle within a bright blue box.<sup>78</sup> This enables consumers to immediately see how much they have to pay, without sifting through large amounts of text. The customer is then signposted to another box which contains a detailed breakdown of how the total was calculated. Other suggestions for making reading bills easier include using big headings and icons.

Research conducted by Ipsos MORI on behalf of HMRC found that for most participants the use of a red box around the message "Check this notice before xx/yy/zzzz" drew their attention to the information contained within the box.<sup>79</sup> Overall, boxed messages were viewed

<sup>72</sup> Expert interview

<sup>73</sup> Lawes report, p27

<sup>74</sup> Ipsos MORI Energy Retail Association study

<sup>75</sup> Ipsos MORI Energy Retail Association study

<sup>76</sup> Expert interview

<sup>77</sup> Any commentary on the design, presentation or delivery of bills or other communications in this document is purely illustrative of Ipsos MORI's findings. It is not to be treated as an indication that the approach highlighted is approved by Ofgem, or constitutes compliance with existing legislation or regulatory rules.

<sup>78</sup> British Gas (2012), "British Gas launches simpler bills and new pricing structure" accessed online at <<http://www.britishgas.co.uk/blog/articles/british-gas-launches-simpler-bills-and-new-pricing-structure>> on 03 Sep 2012

<sup>79</sup> HMRC Tax Credit Renewals research

by participants as enabling the discerning of key instructions and pieces of information simply by scanning the form.<sup>80</sup> The same research also suggested that the headline message should be presented in bold, in a textbox and towards the centre of the page in order to attract attention.<sup>81</sup>

Contributors to our brainstorm agreed, stating that the use of text boxes can be more effective than bold text alone in highlighting important information.<sup>82</sup> One expert warned that it is important not to overuse text boxes and different coloured text, since if everything is highlighted in some way then it is difficult for consumers to infer a hierarchy of importance.<sup>83</sup>

There is good evidence from an Australian study for a different utility, whose findings suggest that more complex information can sometimes be more effectively distilled in a graph.<sup>84</sup> This study corroborated other suggestions that it is important to keep communications brief as far as possible.<sup>85</sup> The Lawes report has already recommended that the purpose of the annual statement is made clear to consumers.

## Surprises

One expert has suggested that placing information in unexpected places can help ensure consumers take notice of it. In one experiment, placing a key piece of information about how customers could save money in a box under the bill heading resulted in a 2% increase in the number of calls relating to that topic in the month following the addition of this new information to the bill. However, they said that the effect of this type of surprise wears off quickly.

## Timing

There is some evidence to suggest that timing makes a difference to how consumers engage with communications, but there is no clear consensus about how this works in practice. In terms of the best time of day for post to arrive, evidence suggests that the peak time for dealing with household paperwork is 10.30am, so items received after this time may not be read until the following day.<sup>86</sup>

In terms of the best day for post to arrive, one expert quoted evidence from an FSA study which suggested that people are more likely to engage with financial paperwork on Sundays as there is more time available, calling this the “Sunday effect.”<sup>87</sup> Experts from a Government corroborated this, saying that in their experience people tend to fill in tax returns on Sundays or Bank Holidays. In addition, one expert stated that Monday morning is the busiest time for utility call centres, suggesting that people deal with post from utilities on the weekend, and then wait until Monday when the call centres open to ring with their queries.<sup>88</sup>

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<sup>80</sup> Qualitative research to explore tax credits customers’ renewal behaviour- HMRC Revenue and Customs Research Report

<sup>81</sup> ibid

<sup>82</sup> Ipsos MORI brainstorm, 22 Aug 2012

<sup>83</sup> Expert interview

<sup>84</sup> Confidential study conducted by Ipsos Eureka

<sup>85</sup> Confidential study conducted by Ipsos Eureka

<sup>86</sup> Ipsos MediaCT, “Unwrapping Touchpoints,” <<http://www.unwrappingtouchpoints.com/3i-commchannels-admail.html#>>.

<sup>87</sup> Expert interview

<sup>88</sup> Expert interview



By contrast, one of the participants in our brainstorm indicated that Tuesday morning is the best time to send out mailings,<sup>89</sup> and similarly the company guidelines of Prairie Research Associates, a Canadian research firm, advise that mailings should arrive on Wednesday or Thursday.<sup>90</sup> The lack of consensus on this issue suggests it is not a major factor, and of course if all communications were sent at the same “optimal” time it would no longer be optimal.

Daniel Rowles explained that in sending email to consumers, companies now use Customer Relationship Management (CRM) software to test many variables (including timing) to understand which combination of variables is likely to lead to the highest response rate. This can often work down to individual customer level, so that a consumer who is more likely to open emails on say, a Thursday afternoon, will become more likely to receive them at that time.

In addition to the day of the week, it is also possible that the seasonality of communications could make a difference to consumer engagement with them. HMRC research on tax credit renewals found that times of the year when people were likely to review their finances i.e. the start and end of the tax year or self-assessment deadline were more fruitful in yielding the desired response.<sup>91</sup> This was corroborated by expert interviewees.<sup>92</sup> However, Dillman’s experiments showed little difference in response rates to a series of similar census questionnaires sent out in spring, summer and autumn, suggesting that not all communications are time-sensitive in this way.<sup>93</sup>

## Eliciting action

Our research suggests that if communications intend to elicit a certain action or actions from consumers, these must be clearly communicated. One of our expert interviewees said that customers must know what to do and when. He suggested a short deadline would be better at provoking action.<sup>94</sup> This fits in with the theories of survey response rates from Dillman: most postal surveys are returned within two days of receipt, and response rates drop off sharply after a week hence the use of reminder postcards etc.<sup>95</sup> The lesson from this appears to be that a short deadline on communications from electricity suppliers would be likely to be acted upon more or less straight away, whereas a longer one may be put off and not acted upon at all, as suggested in one of the interviews we conducted.<sup>96</sup>

Research conducted by Decision Technology for Axa came to a similar conclusion: it found that where there is no delay between consumers receiving advice and having the chance to act upon it then response rates are much higher.<sup>97</sup> Combining this with the findings above suggests that if consumers are both able to act quickly and encouraged to do so with tight deadlines could be effective at eliciting action.

<sup>89</sup> Ipsos MORI brainstorm, 22 Aug 2012

<sup>90</sup> Prairie Research Associates, *Response rates on mail surveys*, accessed online at <[http://www.pra.ca/resources/pages/files/technotes/rates\\_e.pdf](http://www.pra.ca/resources/pages/files/technotes/rates_e.pdf)> on 06 Sep 2012

<sup>91</sup> HMRC Tax Credit Renewal Research

<sup>92</sup> Expert interview

<sup>93</sup> Don A. Dillman (2007): “Mail and Internet Surveys: The Tailored Design Method”: 176. (Wiley, Hoboken)

<sup>94</sup> Expert interview

<sup>95</sup> Don A. Dillman (2007): “Mail and Internet Surveys: The Tailored Design Method”

<sup>96</sup> Expert interview

<sup>97</sup> Axa/Decision Technology, *Turning Good Intentions into Actions* (2007)

## Trust

The section on opening communications reflected on the lack of trust many consumers have in their energy supplier. Our research suggests this may be relevant in terms of the trust consumers have in the specific information contained within communications, and in turn the extent to which they will engage with these communications.

Several of our expert interviewees identified the tension between communications which may implicitly or explicitly be encouraging consumers to switch tariff and/or supplier, and their provenance. One of the expert interviewees, a lecturer in psychology, explained that if people cannot identify the motives of the messenger, they become confused and may not trust the message.<sup>98</sup> Several interviewees felt consumers would question the motives of the energy companies in providing this information, as switching to a cheaper tariff is clearly not in suppliers' best interests.<sup>99 100</sup>

One expert suggested looking at information provision the opposite way round: looking for ways to encourage consumers to provide information and interact with suppliers as this has the potential to build trust. The literature suggests that when we do a favour for someone this behaviour leads to an attitude of trusting them more; it is thought this occurs because it would not make sense to 'help' someone you do not trust, and therefore the cognitive response is to re-evaluate levels of trust after giving 'help'.<sup>101</sup> However, clearly most people already are asked to 'help' their supplier in the sense of providing accurate meter readings, so this idea would need further thought as to how it could be applied in the energy context.

One energy supplier has conducted qualitative research that found that customers like the tips the supplier includes on the bill about how to save money. These tips include energy efficiency and energy saving measures, and advice on how changing to direct debit can help the customer save money.<sup>102</sup> This suggests that customers do trust their suppliers to a certain extent, but perhaps not so much that they would trust messages about cheaper tariffs; particularly given existing research for Ofgem which shows consumers can be suspicious of low tariffs and expect prices to rise soon after they have switched, thus reducing the potential for saving.

In general, research for a government department has shown that people respond best to tone and language that sound like helpful advice from a friend. Whether or not this would overcome suspicion about why an energy supplier is providing information about cheaper tariffs would need to be tested.

Another suggestion for reducing suspicion around providers' motives in supplying information about cheaper tariffs is to clearly state that Ofgem requires energy suppliers to provide customers with this information, which would then clarify the suppliers' motives to consumers and help build trust in the message.<sup>103</sup>

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<sup>98</sup> Expert interview

<sup>99</sup> Expert interview

<sup>100</sup> Expert interview

<sup>101</sup> Expert interview

<sup>102</sup> Expert interview

<sup>103</sup> Expert interview

**Retain**

# Retain

The area where the evidence about consumer behaviour is most limited is retention of key documents. While there is some indication that retention rates of household bills and statements may be high, there are no robust published studies that seek to measure this systematically.

## Limited evidence about retention

This is perhaps unsurprising as companies are likely to be largely unconcerned about physical retention. Their main focus is on using written communications to elicit actions from consumers. Even in sectors where retention is more of a factor, such as personal banking, telecommunications and energy, it is usually to benefit the consumer as a reference point. In other words, while Ofgem are keen to promote retention of documents, this has not been a priority of other organisations and evidence is therefore scarce.

In addition, measuring retention is challenging, relying on self-reported measures of behaviour among consumers. For example, research conducted by the Royal Mail in 2010 found that 89% of respondents agreed or strongly agreed with the statement that they tend to keep all of their bills and statements.

Ipsos MORI's wider research with consumers suggests that retention depends more on demographic factors and the psychological characteristics of the individual concerned. For example, research conducted by HMRC found that retention of paperwork is linked with how quickly people open and act on letters as well as financial management more widely. Those who open and pay bills immediately are more likely to keep paper records. This research suggests there are certain personality types who tend to retain their bills and statements, and some who do not. One expert suggested that retention behaviours would vary with personality traits<sup>104</sup>, for example less conscientious consumers may be less likely to file their mail.<sup>105</sup>

It is also important to ask *why* customers retain documents such as energy bills. Experts suggest that many do so in order to have a proof of address, and do not have any intention of using them for any other purpose. An important additional consideration may therefore be how to encourage consumers to refer to their documents.

<sup>104</sup> John, O. P., Naumann, L. P., & Soto, C. J. (2008). "Paradigm Shift to the Integrative Big-Five Trait Taxonomy: History, Measurement, and Conceptual Issues". In O. P. John, R. W. Robins, & L. A. Pervin (Eds.), *Handbook of personality: Theory and research* (pp. 114-158). New York, NY: Guilford Press.

<sup>105</sup> The "big five" traits are

- **Extraversion:** includes traits such as talkative, energetic, and assertive.
- **Agreeableness:** includes traits like sympathetic, kind, and affectionate.
- **Conscientiousness:** includes traits like organized and thorough.
- **Neuroticism/Emotional Stability:** includes traits like tense, moody, and anxious.
- **Openness to Experience:** includes traits like having wide interests, and being imaginative and insightful.

## Expert views on encouraging retention

One expert of the Simplification Centre suggested that consumers must be given a reason to retain their communications, for example informing them that evidence of the tariff they are on will be useful if they subsequently want to switch tariffs.<sup>106</sup> He also suggested that something easily separable from the rest of the bill that looks like a certificate or is credit card-size would say “keep me” to consumers and encourage retention.<sup>107</sup>

Another of our expert interviewees suggested that retention rates could be increased by making direct requests such as “please retain this document because it is useful” or “if you ever want to change tariffs, this information will make it easier.” Another tactic could be appealing to social norms using statements such as “people who are paying the lowest rates retain their bills and annual statements.”

An additional tool highlighted by HMRC research<sup>108</sup> would be to clearly indicate for how long communications should be retained. If consumers kept all their communications indefinitely, they would soon have a large stack and could become reluctant to keep bills at all.<sup>109</sup>

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<sup>106</sup> Expert interview

<sup>107</sup> Expert interview

<sup>108</sup> Qualitative research to explore tax credits customers’ renewal behaviour- HMRC Revenue and Customs Research Report

<sup>109</sup> Qualitative research to explore tax credits customers’ renewal behaviour- HMRC Revenue and Customs Research Report

# Conclusions

## Conclusions

The focus of this piece of research was to look at how to encourage people to open, read and retain supplier communications including bills, annual statements, price increase notification letters and end of fixed contract notifications. This is of particular importance to Ofgem, as other proposals being developed utilise these communications in order to reach consumers, to encourage them to engage with the market.

The literature summarised here has shown that evidence suggests that almost all people open statements from their utility companies. Of course, to date there is less evidence on annual statements which have typically been sent alongside bills in the past. If they were to be sent separately then this could have implications for open rates as they might potentially be viewed as more similar to direct marketing. However, as the evidence also shows high open rates from familiar brands this may not pose a significant problem as long as annual statements have similar branding to bills.

Our experts highlighted considerable gaps in the published literature, mostly as a result of commercial sensitivities associated with the insights. Also, there remains the perpetual challenge that the ground is constantly shifting: an approach which is effective when first introduced will become standard practice and as such will lose its impact in differentiating a particular piece of mail or e-mail. For commercial companies and increasingly for the public sector, ongoing testing and refining is an integral part of a successful communications strategy and as such to get the tailored insights Ofgem requires, most experts suggested that bespoke research and experimentation would be required.

While there was limited literature on segmentation, there do appear to be some groups which could be of particular interest or may have different requirements.

- Currently most people open their post, although the data suggests **younger people** say they tend to be more discriminating. Therefore, thinking about how energy bills could be tailored for this audience, who are less likely to open and read their bills in detail, could be helpful. However, whether this can be utilised by energy companies will depend on the extent to which they hold demographic information about their customers – if they do not know how old each customer is then it is difficult to see how they would be able to tailor their communications for different audiences.
- A discriminator which energy companies definitely will have access to is whether or not a consumer pays by **direct debit**. Our expert interviews suggested this would be an avenue to explore, in particular thinking about how this audience who have less reason to read their monthly bills can be encouraged to engage.

Thinking about specific areas which could potentially benefit from further exploration:

### What people see first

There was strong evidence to suggest that what the consumer sees first (the outside of an envelope/ the subject line of an email) will impact on how they react to the document enclosed. Therefore, while it seems likely most people will open their bills and annual statements (perhaps with the exception of those outlined above) it is still worthwhile for Ofgem to give consideration to the external appearance of different communications.

- The evidence that personally addressed communications are granted more attention, especially if the information inside appears to be tailored, suggests that this would be a key area for Ofgem to consider. There will be some associated challenges however, not least that our research has shown that people tend to assume energy companies know more than they do (e.g. many assume companies know their daily usage or even hourly usage even where they do not have smart meters). This means expectations for personalisation might be higher than companies can deliver on. At the other end of the spectrum, there is a risk the companies are seen to know too much – the ‘big brother’ view on data use.
- Although most seem happy with having things personalised, it will be important to keep in mind that views are by no means unanimous (e.g. only 17% of people think being offered better deals would make them more comfortable with companies using their data<sup>110</sup>). One of our interviewees suggested that this self-reported figure would be higher if companies used the data and then communicated a better deal to clients, causing attitudes to shift, as people become more aware of the value of companies using their data in this way.<sup>111</sup>
- Co-branding might make people look at things differently in the short term and in particular adding an independent brand such as Ofgem or Consumer Focus to an annual statement could potentially add credibility. However, this may only be a short-term solution as people would quickly become familiar with the joint brand. It therefore might be more appropriate as a one-off or to catch attention and build trust.
- Giving people a reason to open (e.g. explaining there is new information inside, or information that can save people money) might work to get people’s attention. Again it could be a shorter-term solution to grab attention. In particular, if mandating this for the longer term it will be important that whatever promises are made can be followed through in the body of the communication. Nevertheless, one of our interviewees was sceptical of this approach, suggesting that since opening post is likely to be largely instinctive (as it happens so quickly), appeals to reason are likely to be ineffective.<sup>112</sup>
- We described research for HMRC that suggested people who are poor financial managers may be less likely to open brown envelopes in the first place. We could infer from this that poor financial managers would have more to fear from these brown envelopes, if for example they have in the past received requests for payment they cannot meet, and therefore “bury their heads in the sand” and do not open the envelope in the first place. If energy-related communications were clearly branded, those who would not open the envelope out of fear in this way would not be put off by colour, but by negative associations with energy companies if for example they have previously encountered problems with unpaid bills. Again, these could be poor financial managers, or people undergoing financial hardship. If they are worried that a further communication is a request for payment they cannot make, it may go unopened. An annual statement could therefore be clearly labelled as such on the envelope, possibly including an explicit message reading “This is not a request for payment.” Whilst this would not build trust in energy companies more broadly, it could improve opening rates among those who inherently view communications from energy companies as bad news.

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<sup>110</sup> Data Nation 2012: Our Lives in Data, Deloitte [http://www.deloitte.com/view/en\\_GB/uk/market-insights/deloitte-analytics/56bb3d064cb68310VgnVCM2000001b56f00aRCRD.htm](http://www.deloitte.com/view/en_GB/uk/market-insights/deloitte-analytics/56bb3d064cb68310VgnVCM2000001b56f00aRCRD.htm)

<sup>111</sup> Expert interview

<sup>112</sup> Expert interview



## Other suggestions

- Use of 'warm-up' postcard to draw attention to changes has been shown to be an effective way to get people's attention. Of course, there will be associated costs and it would be important to fully analyse the costs and benefits to the consumer if this approach were adopted.
- Similarly, reminder postcards at carefully designated intervals, usually a week following the initial communication, can encourage people to remember to take action.
- The main challenge in terms of reading is keeping communications short, clear and jargon-free and with clear purpose. The purpose of the bill from the consumer perspective is to tell them how much to pay. This is obviously an area Ofgem are already working on separately, however it is important to ensure this happens. Research by the Environment Agency and HMRC also suggests communications should be written formally without being too authoritative.
- Setting deadlines is an interesting area to explore. The question for Ofgem would be what deadlines could be set. These clearly make people pay more attention now but again there will have to be something meaningful that people are being asked to do in order for it to work. These deadlines would need to be very short term in order to work<sup>113</sup> in order to elicit a "now or never" type response.
- The idea of a "keep me" tariff summary card/certificate is one that has been mentioned in qualitative research with the public for Ofgem and was also raised by some experts. Having a short summary card is a key indicator that something should be kept safe, and is less imposing than expecting people to keep every bill. This card could also indicate how long it should be kept for (further research would be required to understand how long it might be kept for). This is an idea that could be relatively easily trialled building on existing research into information people would expect on Tariff Information Labels.
- Mailing key communications such as the annual statement at the turn of the financial year, when people are likely to be organising their paperwork could be fruitful in promoting engagement, based on the conclusions of HMRC tax-credit renewal research.

Of course, even where people **do** open, read and retain their mail from suppliers, this will only form part of the picture. Other Ofgem research, such as the deliberations of the Consumer First Panel, have shown that there are wider issues also impacting on engagement with the energy market which cannot be addressed through communications from energy companies.

However, using the findings from this report to engage with suppliers and improve key communications is likely to be productive as one part of the tool-kit that Ofgem have at their disposal in trying to increase consumers' engagement with the market.

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<sup>113</sup> Expert interview

# Appendices

## Appendix A – MINDSPACE

The table below maps some of the findings and ideas from this report to the MINDSPACE framework.

<b>M</b>	<b>Messenger</b>	We are heavily influenced by who communicates information	Companies build a relationship with consumers, but consumers are well aware of companies' objectives. Do people expect information that will help them get the best deal from gas and electricity suppliers or would they expect this from Government?
<b>I</b>	<b>Incentives</b>	Our responses to incentives are shaped by predictable mental shortcuts	It could be powerful to emphasise the fact that consumers could be <b>losing</b> (rather than saving) money by not opening, reading and retaining supplier or regulator communications.
<b>N</b>	<b>Norms</b>	We are strongly influenced by what others do	Evidence of how others have saved money is powerful in persuading people to act. But supplier testimony is no longer credible as people think it was 'made up'. Feedback from third party sources is more credible.
<b>D</b>	<b>Defaults</b>	We "go with the flow" of pre-set options	Switching requires action whereas staying with the same supplier is easy. The default is therefore to pay little attention to communication other than the amount to pay. Is changing defaults possible for all/some (e.g. at end of fixed length tariff)?
<b>S</b>	<b>Salience</b>	Our attention is drawn to what is novel and seems relevant to us	Mail and email senders are constantly innovating to make their communication stand out in design and timing so no single solution ever remains effective in maximising response – constant development and testing is needed.
<b>P</b>	<b>Priming</b>	Our acts are often influenced by sub-conscious cues	Without a consumer thinking about it, the envelope or email subject, sender, colour, font or wording can quickly classify it as something they want to read and keep or bin/delete. No one-size fits all solution – how (if at all) could companies segment?
<b>A</b>	<b>Affect</b>	Our emotional associations can powerfully shape our actions	There can be a powerful emotional reaction to a large or larger than expected total on a consumer's gas or electricity bill. Can this be harnessed to start them on a journey to getting a better deal for them?
<b>C</b>	<b>Commitments</b>	We seek to be consistent with our public promises	Are there opportunities to encourage consumers to make any 'commitment' to open mail or email from suppliers? Could communication asking them to respond 'I am interested in checking that I'm on the best tariff' work before an annual statement?
<b>E</b>	<b>Ego</b>	We act in ways that make us feel better about ourselves	Do people see themselves as the type of person that keeps and analyses all their bills and regularly checks that they are with the best tariff /supplier? Could the market change so engaging is an easy way to save money in tough times?

*This work was carried out in accordance with the requirements of the international quality standard for Market Research, ISO 20252:2006.*

## Appendix B – Methodological details

### Evidence review

In order to identify and assess the information required for this project, and given that a fully systematic review of evidence was not feasible given the timescale available, a Quick Scoping Review was conducted. This approach has the advantage of combining the rigour of defining key search parameters to limit and shape the scope of the review with the flexibility to include various levels of evidence from a range of sectors. This pragmatic approach was organised through the definition of the research questions; the identification of the search sources; the terms of the search; and the structure of the primary analysis.

The evidence review commenced with the interrogation of internet search engines, with search strings including:

- “Improve/increase(ing) direct mail effectiveness/response rate”
- “Direct marketing experiments/evidence”
- “Postal response rate”
- “Click through rates”
- “Effective [email] subjects”
- “Envelope design”
- “Encourage people open envelope”
- “Design bills consumers read”
- “Engage government communications”
- “Envelope branding”
- “Behavioural economics/ behaviour change/ nudge” + “open envelopes”
- “Get people to read mail/emails”
- “Keep/file” + “mail/official documents/bills/letters/statements”

These were combined with terms such as “evidence”, “research” and “literature” to ensure any available robust evidence was identified during the process.

The Quick Scoping Review revealed that robust, published evidence in this area is limited. A large number of the results obtained in search engines were of questionable value, either because of a lack of relevance or because they had no obvious empirical basis.

What evidence there is falls into three broad categories of relevant literature related to (1) direct mail, (2) charity fundraising, and (3) postal surveys. There is some robust evidence from the Royal Mail’s Mail Media Centre on how people engage with direct mail, and from the fields of charity fundraising and postal surveys, in the form of controlled experiments. The searches also revealed a small amount of useful data about how people engage with their mail generally.

However, the information uncovered is often not based on specific empirical evidence but rather the collective experience of professionals who have been working in the field for many years. This typically takes the form of blogs or ‘how to’ guides.

We also interrogated the World Advertising Research Council (WARC) database which hosts a large archive of marketing and advertising research papers and case studies, and reviewed a number of the articles returned.

Following the identification and selection of studies suitable for review, the literature was assessed, categorised and the details recorded in a spreadsheet. This enabled the recording of basic information about the study (i.e. year, author) and the research methodology it employed (if applicable), and the rating of the quality and applicability of the research. Details of the contents were then recorded according to the key research questions, which facilitated efficient analysis and reporting.

## Ipsos MORI brainstorm

Ipsos MORI has conducted a large amount of research about the attitudes and behaviour of consumers, behaviour change and the impact of various factors on postal survey response rates. A session was therefore conducted with six Ipsos MORI Directors and Associate Directors to collate this evidence and brainstorm additional sources of evidence and search terms.

The attendees shared their accumulated knowledge from conducting postal surveys of the factors that can make mail more appealing to its recipients and experiences from conducting online surveys. Findings from particularly relevant studies were also highlighted, including those from a study on energy bills for the Energy Retail Association, and those from research on communications for Her Majesty's Revenue & Customs and the Environment Agency. The brainstorm therefore provided some highly relevant case studies and further sources of evidence for the review.

## Expert interviews

To compensate for the limited availability of written evidence, ten in-depth interviews were conducted by telephone with professionals with experience of direct marketing, online marketing, public sector communications, information design and energy bill design, as well as experts in psychology and behaviour change. These have taken place concurrently with the evidence review to enable the recruitment of specific individuals whose knowledge and experience could help fill remaining evidence gaps and expand on those issues that had already been identified as being particularly relevant.

Suitable experts were identified through recommendations from Ofgem, the evidence review, and Ipsos MORI's existing contacts in the behaviour change, direct marketing and government communications fields. Energy suppliers were also approached as it was thought they were likely to have valuable knowledge and experience to share. In addition, some respondents were identified through referrals from other participants or those who declined to participate.

The interviews provided evidence that is not available in writing or in the public domain, as well as ideas that make intuitive sense but have not yet been tested. Interviewees also identified case studies, which were often highly relevant as following the interviews the participants were extremely clear about the requirements of the project.

Experts interviewed were:

**Paul Dolan: Professor of Behavioural Science, Department of Social Policy, London School of Economics and Political Science**

Dr Paul Dolan is Professor of Behavioural Science in the Department of Social Policy at the LSE. Amongst his previous academic appointments, he was a visiting research scholar at

Princeton with Danny Kahneman (Nobel Laureate in Economics). Paul has 100 peer-reviewed papers in top journals and has won many research grants from various research councils and funding bodies. There are two main themes to his work. The first focuses on developing measures of wellbeing that can be used in policy, particularly in the valuation of public goods. The second considers ways in which the lessons from the behavioural sciences can be used to understand and change individual behaviour. This work is focussing on the important role that situational factors play in influencing our behaviour, as summarised in the 'MindSpace' report for the Cabinet Office. Amongst other professional roles, he is a member of the National Advisory Forum on wellbeing in the UK, on a National Academy of Sciences Panel on wellbeing in the US, and Chief Academic Advisor on Economic Appraisal to the UK Government Economic Service.

### **Marc Michaels: Independent Marketing Communications Consultant**

Marc is an End to End Marketing Communications Consultant, formerly **Director of Direct and Relationship Marketing and Evaluation at the Central Office of Information (COI)**.

A marketing professional and procurement expert with extensive experience, Marc has been a champion for Marketing Communications for 26 years. As Director of Direct and Relationship Marketing and Evaluation at the COI, he managed a team of fifty professionals delivering hundreds of high profile Government behaviour change campaigns involving direct mail, door drops, e-mail, contact centre and fulfilment, household distribution, field marketing, customer relationship management and campaign evaluation across all major COI clients.

Marc now provides 'end to end' specialist consultancy across strategy development, planning, implementation and evaluation.

Marc worked previously for ITT and IBM as a marketing officer, briefly as a freelance graphic designer and then set up COI Direct Marketing in 1986. Marc also worked for two and a half years as an Advertising Group Head on high profile advertising campaigns for Health, RAF, Army and DWP.

Marc is a life-time Fellow of the Institute of Direct Marketing and sits on its Management Council and also the Direct Marketing Association Advisory Council.

### **Hannah Mummery: Policy Manager (Energy) in the Energy Retail Team, Consumer Focus**

Hannah is an experienced policy advocate and researcher who has worked at Consumer Focus since February 2009. She has worked in a wide range of areas in addition to energy, including planning, licensing, community participation, and consumer policy. She is co-author of the influential report "NightVision: Town Centres for All," a key document in developing the Purple Flag accreditation scheme for town centres at night.

Prior to joining Consumer Focus she worked for 5 years at the Civic Trust as a Research and Policy Manager, and for 3 years at the London Metropolitan Archives.

### **Hilary O'Grady: Marketing Operations Manager, RWE npower Plc**

Hilary has worked at npower for 12 years as Marketing Logistics and then Marketing Operations Manager. He is responsible for the production of all npower's transactional and direct mail and works on document design and communications optimisation. Hilary represents npower on the EUK expert billing group. He previously worked for many years in

the insurance and financial services industry at Eagle Star and, following its takeover, Zurich Financial Services.

### **Stian Reimers: Lecturer in Psychology, City University**

Stian is a researcher and lecturer at City University London, specialising in judgement and decision making and consumer psychology. His academic interests cover financial decisions involving time and risk, and judgemental forecasting. He also works on applying experimental psychology to policy issues, particularly the notion of what constitutes a 'fair' taxation structure.

As well as academic research, Stian has conducted a number of commercial research projects with the financial services industry and government departments, looking at pricing, motivation and consumer behaviour. He has also worked regularly with the BBC and independent production companies on brain-science-related TV shows, and helped set up web-based psychology tests for the BBC website.

He is widely published in peer reviewed psychology, forecasting and behavioural journals and has presented at the British Psychological Society and the House of Commons, and currently lectures in modules on Social Psychology and The Psychology of Time.

Prior to joining City he was a research fellow at UCL for 5 years and the University of Warwick for 3 after completing a PhD in Experimental Psychology at the University of Cambridge.

### **Daniel Rowles: Course Director of Advanced Email Marketing, Chartered Institute of Marketing**

Daniel has directed Advanced Email Marketing at CIM since August 2008. In addition, he is Managing Director of Target Internet, through which he provides digital marketing training and consultancy, and trains on behalf of Econsultancy, Utalmarketing and the Internet Advertising Bureau. He also produces the Digital Marketing Podcast, a worldwide top ten business podcast in iTunes.

Daniel has been working in Digital Marketing for the past 14 years, with extensive experience working internationally both client side and within the agency environment, and his career has covered both the technical and business aspects of the industry.

He was previously Director of Digital at AI Digital and its subsidiaries Academy Internet and SiteVisibility, and holds an MSc in Computer Science as well as a BEng in Computer Systems Engineering.

### **Jane Saint: Customer Communications Manager, Bills, British Gas**

Jane has worked in the energy industry for over 20 years. She was previously responsible for regional & national advertising for the energy area of British Gas as its Advertising and Brand Manager and is now Customer Communications Manager. She has worked closely with both the Customer Panel and the Customer Board since 2010 to progress the redesign of the British Gas bill with true customer insight.

### **Owain Service: Deputy Director of the Behavioural Insights Team at the Cabinet Office**

Owain joined the Behavioural Insights Team (BIT) in November 2010. The team was established in July 2010 to examine ways of applying insights from behavioural economics and psychology to public policy in the UK. Owain was previously a Deputy Director in the previous administration's Prime Minister's Strategy Unit, where he worked across a range of different policy areas - from public services through to national security. In addition, Owain worked at the UK Permanent Representation to the EU during the UK's Presidency of the European Union, and had a brief secondment from Government, working at a children's charity.

### **Rob Waller: Director, Simplification Centre**

Rob Waller is an information designer with wide experience of practice, research, writing and teaching.

Rob's career has combined design practice with academic research at the Open University and the University of Reading, where he was Professor of Information Design until 2011. He is now director of the Simplification Centre – a not-for-profit organisation that promotes the clear communication of complex information – and Visiting Research Fellow at the Helen Hamlyn Centre for Design, Royal College of Art.

His own agency Information Design Unit (later part of the global branding agency Enterprise IG) developed customer communications, including bills and statements, for many well-known names such as British Gas, E.ON, BT, EDF, Vodafone, T-Mobile, Royal Mail, Barclays and AXA. He has also advised government departments such as DWP and HMRC on customer communications.

Rob has been associated with the creation of an institutional framework for the development of information design, founding Information Design Journal in 1979, and co-founding the Information Design Association in 1992. He has also co-organised a series of Information Design Conferences from 1982 to the present day. He is a frequent conference speaker, and has published many papers on the theory and practice of information design.

### **Two specialists from HMRC**