

## Consumer empowerment roundtable

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Roundtable discussion on the changing landscape of consumer empowerment.	From Date and time of Meeting Location	Stew Horne 26 March 2013 14:30 – 17:00 Boardroom	27 March 2013
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### Overview

On 26 March Ofgem hosted a roundtable discussion on the changing landscape of consumer empowerment, which aimed to examine some of the key trends emerging in this area. To illustrate these themes, participants heard case studies from some organisations that are developing empowerment services. During the discussion, Ofgem wanted to consider the opportunities and risks that these present to energy consumers and, in particular, vulnerable consumers.

Organisations taking part in the roundtable were Consumer Focus, Ctrl-Shift, Department for Business Innovation and Skills (BIS), Department of Energy and Climate Change (DECC), Financial Services Authority (FSA), London Rebuilding Society, Ofcom, Money Saving Expert, Mydex, Office of Fair Trading and Which?

Ofgem already seeks to empower consumers in its work, as it is proposing as part of its Retail Market Review by making the market Simpler, Clearer and Fairer. Ofgem is also involved in the Midata project and in the growing area of collective switching. Looking forwards, the discussions from the roundtable will be informative in relation to forthcoming work in 2013 including the Third Parties Intermediaries review, Smart Meter Consumer Empowerment and Protection project, Confidence Code review and its Vulnerable Consumers strategy.

### The changing landscape of consumer empowerment

Alan Mitchell, director of consumer empowerment consultancy Ctrl-Shift presented the key findings from research that they had carried out on behalf of Ofgem looking into emerging trends in consumer empowerment for energy consumers and elsewhere.

Consumer empowerment is a hard problem. Organisations seeking to empower consumers need to recognise the differences between diverse types of consumers, and they also need to be mindful of the particular behavioural barriers that prevent consumers from effectively engaging with markets. The key differences between traditional modes of empowerment, and new forms of empowerment are that the latter are being enabled by new technologies; in particular by the changes in accessibility to data and the falling cost of data processing. Another key factor is the development of empowerment as a business opportunity.

The ten key trends identified in the research were:

- Price comparison
- Collective switching
- Impartial advice
- The organised consumer
- Personal data empowerment

- Consumers as producers
- Smart consumers
- Home and asset management
- Behaviour change as a product
- Convergence of multiples engagement trends

The discussion following the presentation raised a number of key points about the emerging themes of consumer empowerment tools and the potential risks and barriers to these delivering benefits to consumers. In summary the points raised were:

- Consumer empowerment services could be conceived as “4<sup>th</sup> party” services –where business is usurping the role traditionally played by regulators and consumer groups. Intermediaries are becoming more influential and may eventually hold significant market sway, possibly creating a new market for intermediaries.
- It is important to ensure that all consumers are empowered, not just those who are already engaged and/or empowered. It is also important to consider how small business consumers can be empowered.
- There is still some way to go to realise the benefits of empowerment. In energy there is a currently a disconnect between the empowerment vision, and the current status. For example the development of collective switching which is a growing activity but is not yet delivering leverage expected on prices although it is demonstrating some effectiveness at engaging with vulnerable and disengaged consumers.
- Complexity is a key issue for all consumers, even where some empowerment tools are in place. For example not all consumers use accredited energy or telecoms price comparison sites. There was agreement that convergence is a key trend that cannot be ignored. A related trend is that advice is getting cheaper, although this tends to be most relevant to discrete high value purchases.
- Trust is very important in online markets. For example power of attorney services may enable consumers to be empowered for significantly less effort, but trust is crucial to this working well and will require regulators to be engaged with intermediaries.
- The Midata programme is looking at the use of QR codes on paper documents as a way of making an online empowerment tool function more widely and specifically as a paper based channel for vulnerable consumers. A key stage in the development of Midata will be achieved if energy suppliers harness consumers’ data as a way to engage and enhance their relationships with their customers.
- The publication of data and feedback is becoming normalised, for example consumer reviews (good and bad) are published on the Argos website, and food outlets are enthusiastically promoting their scores as part of the Food Hygiene Ratings scheme. In energy Ofgem has successfully encouraged energy suppliers to publish more detailed complaints data on a voluntary basis.

## **Consumer empowerment in practice**

The roundtable participants heard from three case studies that were presented by services which have developed to empower consumers. These demonstrated increasing degrees of complexity and convergence with the Shimmer pilot being the most complex, and the

Cheap Energy Club being an example of a simpler service, but one which is already appealing to the mainstream public and growing fast.

#### Money Saving Expert – Cheap Energy Club

Money Saving Expert is the UK's biggest consumer website with over 13 million users a month and seven million recipients of the weekly email. The Cheap Energy Club is a service that aims to alert consumers when cheaper energy deals become available, or when it is time to switch away from a tariff that is ending. This service takes into account exit fees and other key tariff information, providing personalised calculations. The data supporting these is kept in a personal data store provided by allfiled.<sup>1</sup> Almost 300,000 users have signed up to the club in a short space of time.

The Cheap Energy Club is considering ways to become more accessible for vulnerable consumers, and is considering extending the service by setting up a call centre, and is looking at power of attorney arrangements e.g. enabling children to switch accounts of elderly parents.

#### Mydex

Mydex is a Community Interest Company providing individuals with individually encrypted personal data stores which help them gather, manage and control the sharing of their data. Mydex provides the store and the means to connect/share data with organisations and other individuals, but it cannot see into any individual's personal data stores.

Two key ways in which Mydex has empowered consumers were identified. Firstly personal data stores can provide digital proof of entitlement, which can remove the friction and hassle from applications for grants, benefits etc (Mydex is one of the eight approved Identity Providers for the UK Government Identity). Secondly, apps developed by third parties which are built on personal data stores can cut through the effort of finding advice or working out eligibility. An app developed for the Midata programme called "empowermi" uses multiple data sources (including energy use and financial data) to provide specific and personalised advice about energy efficiency grants available from local authorities and estimated savings achieved when these are installed.

#### Shimmer

Shimmer is a pilot project run by the London Rebuilding Society (LRS), a social enterprise and also a community development and finance institution. As part of the project they developed a smart home energy management technology designed to meet the needs of people in the pilot in order to mitigate issues around poverty (specifically fuel poverty but also looking at broader issues).

The Shimmer pilot provided participants with renewable solar energy installations, which were financed through income from Feed In Tariffs. The pilot collected contextual data about consumers' energy use, home and the appliances within the home. This was used to provide highly personalised advice about how to reduce energy use and save money and conveyed to consumers in real time. It could also enable automation of some complex services so that these worked in the background without requiring much engagement from participants.

A key point raised by the pilot was that automation can be a very powerful tool in changing behaviour, but it arguably raises issues about how consent is given by those it affects. An example is the way that real time data could be used to alert aid when needed e.g. if heat level dropped to dangerous levels in the home of a vulnerable person. However it is recognised that this kind of intelligence, although very useful, could also be very intrusive.

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<sup>1</sup> <https://www.allfiled.com/>

The case studies prompted further discussion that considered what opportunities there may be to scale empowerment services, and what potential barriers there may be to these succeeding.

- It was recognised that there could be potential to link the services such as the Cheap Energy Club with consumers' own personal data through Midata.
- Heating oil had been raised as an issue by cheap energy club members, and it was noted that there is already a significant amount of collective purchasing activity around heating oil.
- Money Saving Expert estimate that more vulnerable customers than expected have signed up to the club. This is based on the volume of contacts they have had around social tariffs and the warm homes discount.
- Telephone services are a useful service for consumers who do not access services online. Currently the Confidence Code does not currently cover energy telephone switching services, it only covers switching websites.
- Empowerment services can be scaled, for example Cheap Energy Club has grown very quickly and Mydex and other personal data stores are already operating in the market and are looking to achieve scale.
- The Data Protection Act presents some barriers to sharing data, but a personal data store can address some of these because an individual chooses what data can be shared, and with what parties.
- An issue exists around who verifies third party apps and ensures quality control. There is a related issue about the motivations of app developers, and it should be recognised that these play a key role in maintaining consumer trust.
- Issues around personal data are global, for example the World Economic Forum is looking at personal data, and the US has made significant progress with its Green and Blue button programmes.
- Services can empower unengaged consumers, even if they remain relatively unengaged. This is because of their ability to be inclusive without demanding much interaction, for example if these services are automates, or if they work in the background with pre-existing permissions that consumers have given. Again trust is a key issue if these types of services are to deliver benefits.
- An integrated view of people's lives creates a holistic view of them which can be very beneficial and enable a number of empowering services. However it also presents new issues for regulators, issues including around regulatory boundaries.