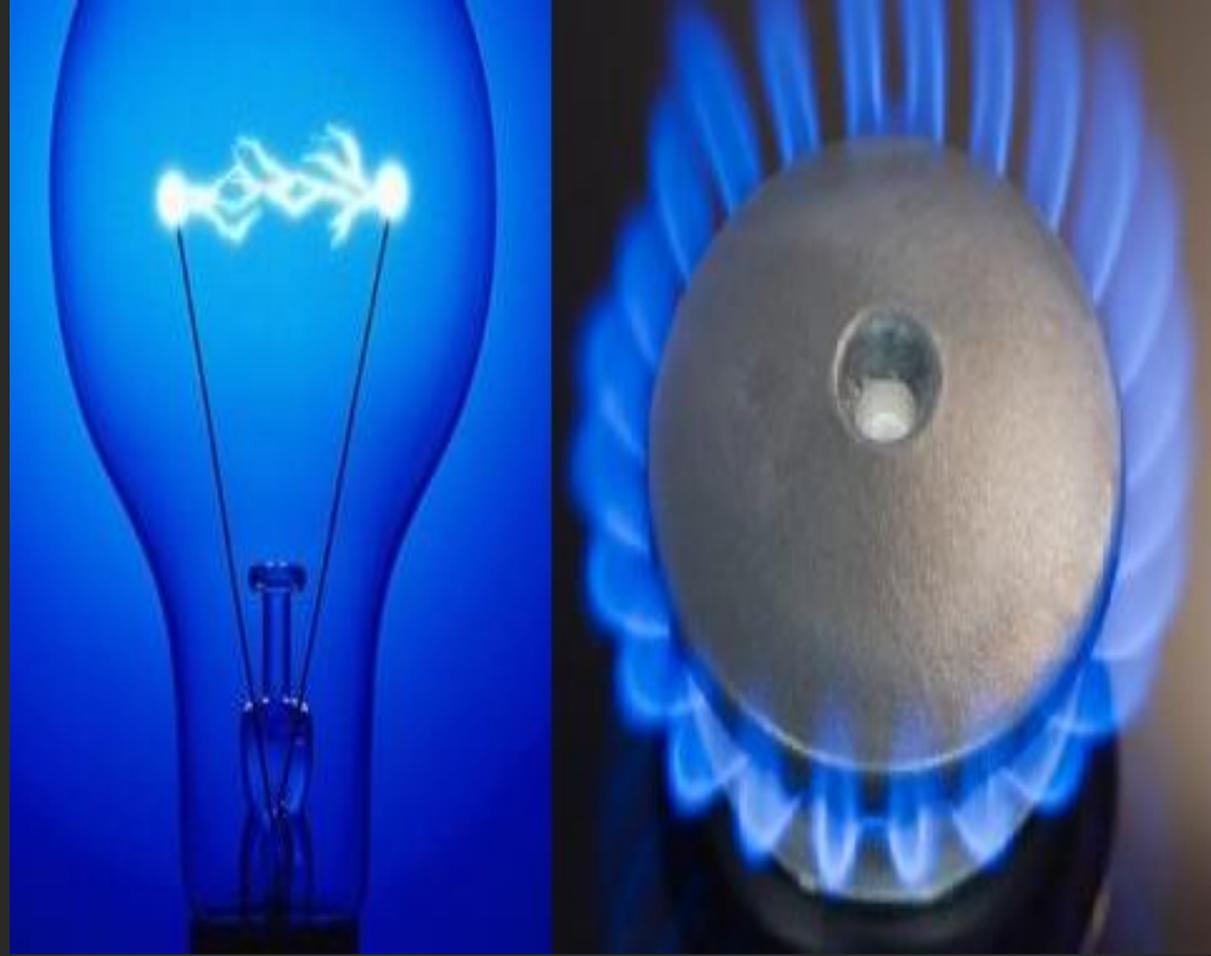


Research to inform arrangements of a future Change of Supplier (CoS) process



Presentation for the Change of Supplier Expert Group

Structure of presentation

- Objectives and method
- Top of mind views on switching
- Key areas of research:
 - Reliability of the CoS process
 - Efficiency and simplicity of the process
 - Speed of transfer
- Potential impact of smart meters
- Conclusions

Section 1

Objectives and method

Objectives

- To explore what characteristics energy consumers value in a future CoS process and what different values consumers attach to these characteristics
- To better understand how different factors relating to the CoS process influence, or are likely to influence, engagement with the market

Findings

- The findings will feed into Ofgem's work on arrangements for a future CoS process

Panel workshops in 6 locations

- 6 x 3 hour discussions
- Total of 109 **Panellists** from different backgrounds who are recruited to be reflective of GB energy consumers

Triad interviews in 4 Panel locations

- 4 x 90min discussions with 10 **recent switchers**
- They were able to bring recent experience of the CoS process to the discussion

Mini group discussions in East Midlands

- 2 x 90min discussions with 12 **ADM customers** (proxy for smart meter customers)
- Included to ascertain the extent to which their experience of accurate billing and access to consumption data influences their views about CoS arrangements

The discussions focussed on **three key characteristics** of the Change of Supplier process, namely:

- **Reliability** and the potential impact of possible issues arising during the CoS process on consumer's engagement with the CoS process and likelihood to switch in future
- **Efficiency and simplicity of the process** and consumer involvement
- **Speed of transfer** from one supplier to another including a consideration of how the **cooling off period** impacts preferences around optimum timescales

The research also examined the extent to which the rollout of smart meters might impact on the needs and expectations of consumers.

Section 2

Top of mind views on switching

Understanding my needs



Browsing the market



Decision-making

2. My usage?

How much energy do I use?
What *type* of user am I?
High / low?



3. My options?

What other tariffs and supplier offers are out there?

4. My best fit?

Which options suit a user like me?
Which type of household is each tariff for?

5. My saving / gain?

How much less will I pay?
OR...
What more will I get for my money?



1. My current tariff?

What features do I get?
How much do I pay?
Estimated / actual billing? Exit costs?



My trigger!

High bill / Poor customer service /
Special offer / End of contract
Advice from friends/family

BUT, doubts during decision-making can send consumers back to browse options OR disengage completely

6. My switch

What's the process? How long will it take? How do I end my current tariff? Will my supplier match the best price? Will I have to pay twice?



Section 3

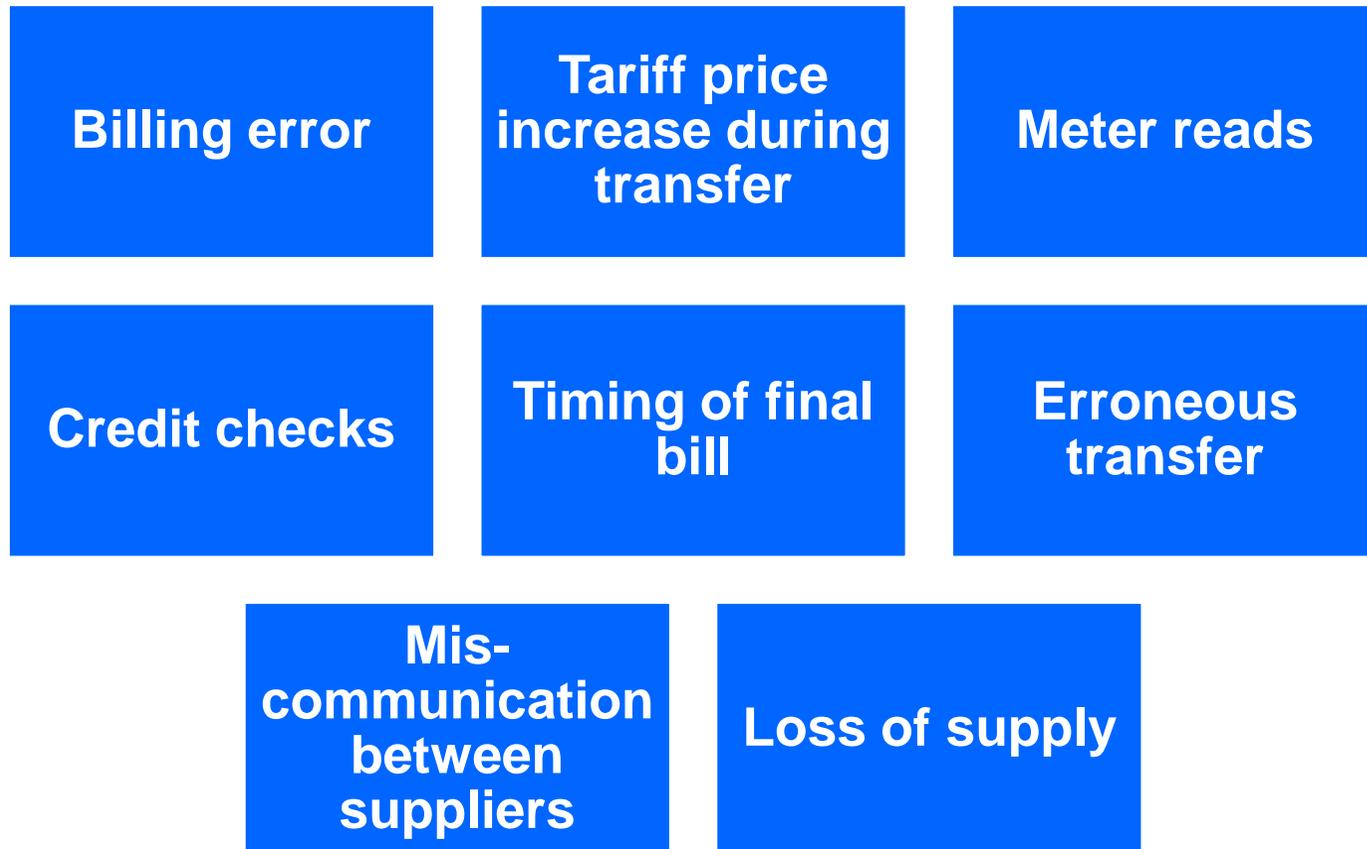
Key findings

Consumer awareness of what the CoS involved was generally low, particularly compared to awareness of the earlier stages of the consumer journey

- It was generally viewed as a process that required little input from consumers as most of the work conducted by suppliers
- Consumers were positive about the fact that the new supplier drives the process
- Consumers with very limited experience of engaging the market tended to be more apprehensive about the CoS process
 - **Financial:** consumers incurring costs as a result of billing errors, which they feared would leave them worse off or take a long time to resolve
 - **Practical:** the inconvenience of having to be at home to have meter read and concerns about inaccurate self reading

Ultimately, however, most consumers did not consider the CoS process as being problematic

Consumers were concerned that a quicker process would involve a “trade-off” against the reliability or accuracy of the process, and most felt that they would prioritise reliability and accuracy over speed



- While there was no consensus on whether an unreliable transfer would make consumers reverse their decision to complete the transfer...
- ...most felt that problems with billing (e.g. inaccurate billing) would deter them from switching in future
- This is because participants said they would be fearful of engaging in a process that could potentially leave them worse off
- It was noted that even if problems get resolved, there can be wider financial implications of a one-off mistake e.g. overdraft

Consumers want a process where each stage proceeds as quickly as possible without compromising reliability. Consumers thought that this could be achieved by better use of technology, namely:

- **Use of technology for meter readings** – some thought smart meters would lead to improvements and others thought meter readings could be supplied by text message
- **Customer records transfer** – could be immediately transferred from one supplier to another, and meter readings could be taken remotely
- **Credit checks** – could be carried out instantly
- **Standardised procedures** e.g. data transfer and processing which underpin the CoS process would, a few consumers believe, result in fewer errors and a quicker transfer

While consumers embraced the use of new technology they also specified that households with smart meters should not be able to access better deals than those without smart meters

- ✓ **Reassurance from suppliers** – consumers want to feel reassured the transfer will happen smoothly and any issues will be resolved efficiently
- ✓ **Appropriate level of supplier contact** – consumers want to be kept informed during the process although frequency varied
- ✓ **Appropriate type of communication** – consumers want suppliers to know their customers' preferred channel of communication and update accordingly
- ✓ **Clear guidance about cooling off periods** – consumers want to be told they have a cooling-off period and the option to waive it to facilitate a faster switch
- ✓ **Smarter meter-reading** – consumers recognise this could mean less involvement following roll-out of smart meters, the end of estimated billing is viewed as the primary benefit of smart meters
- ✓ **Suppliers working harder for customer loyalty** – some want existing and new suppliers to compete for their custom

There was considerable variation in consumers' estimates of how long the CoS currently takes (most said 2-6 weeks) – reflecting that speed of switch was of low salience to most people

Reasons why it should be quicker

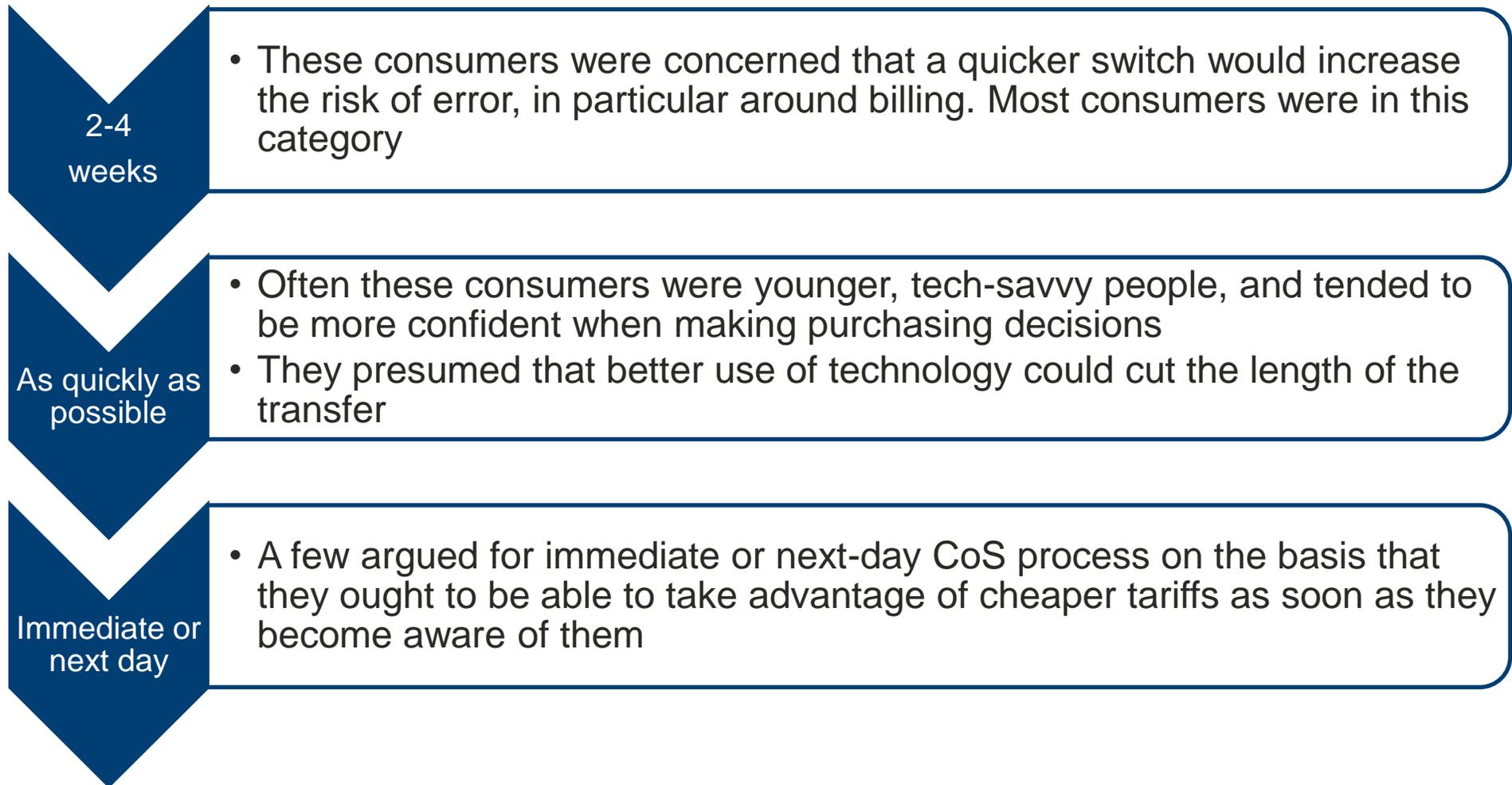
- So consumers can benefit from financial saving from a cheaper tariff
- Take advantage of technological advances e.g.
 - using technology (email, text) for meter read instead of home visits
 - using smart meters (minority view)
 - instant credit checks
- Happens quicker in other markets “why should energy be different”

Reasons why it shouldn't be too quick

- Many associated speed with error
- So suppliers can compete for custom during the cooling-off period
- Some assumed fully automated (and therefore quicker) process would not be possible and others wanted it to be longer to build in time for some human contact.
- More general concerns expressed around the market being confusing

Consumers estimates of how long the CoS process should take were almost always lower than their estimates of how long it does take

Taking all views into account, participants fell into one of three categories:



Taking all participants views into account, three general typologies emerged with relation to the cooling off period:

- **Happy to waive:** A minority (confident, tech-savvy consumers, and were often recent switchers) were relaxed about waiving and valued the choice to do so
- **Reluctant to waive:** These consumers valued it in so far as it slowed down the process but also felt it was a consumer safeguard. That said, they believed the process should happen more quickly (i.e. 2-4 weeks)
- **Ambivalent:** Typified by consumers who neither valued the consumer protection, nor were enthused by the potential time or financial savings that waiving it could bring

Ultimately, the majority of consumers maintained their original positions on the optimal length of the switch. Those who wanted a switch in less than 2 weeks were generally willing to waive. However, most believe there was little incentive to do so

Some participants suggested changes that they thought might make the cooling off period more useful for consumers:

- A cooling-off period *after* the transfer to the new supplier, allowing consumers to 'try before they buy', otherwise they felt it served no great purpose
- A shorter cooling-off period to get some of the benefits of waiving (i.e. faster process and potential financial saving) without losing the consumer safeguard completely
- A cooling off period followed by an immediate transfer with suppliers running the checks in the background during the cooling off period to make this possible

In conclusion, waiving the cooling period was attractive to the most engaged, confident participants if it allowed them to move between suppliers more quickly

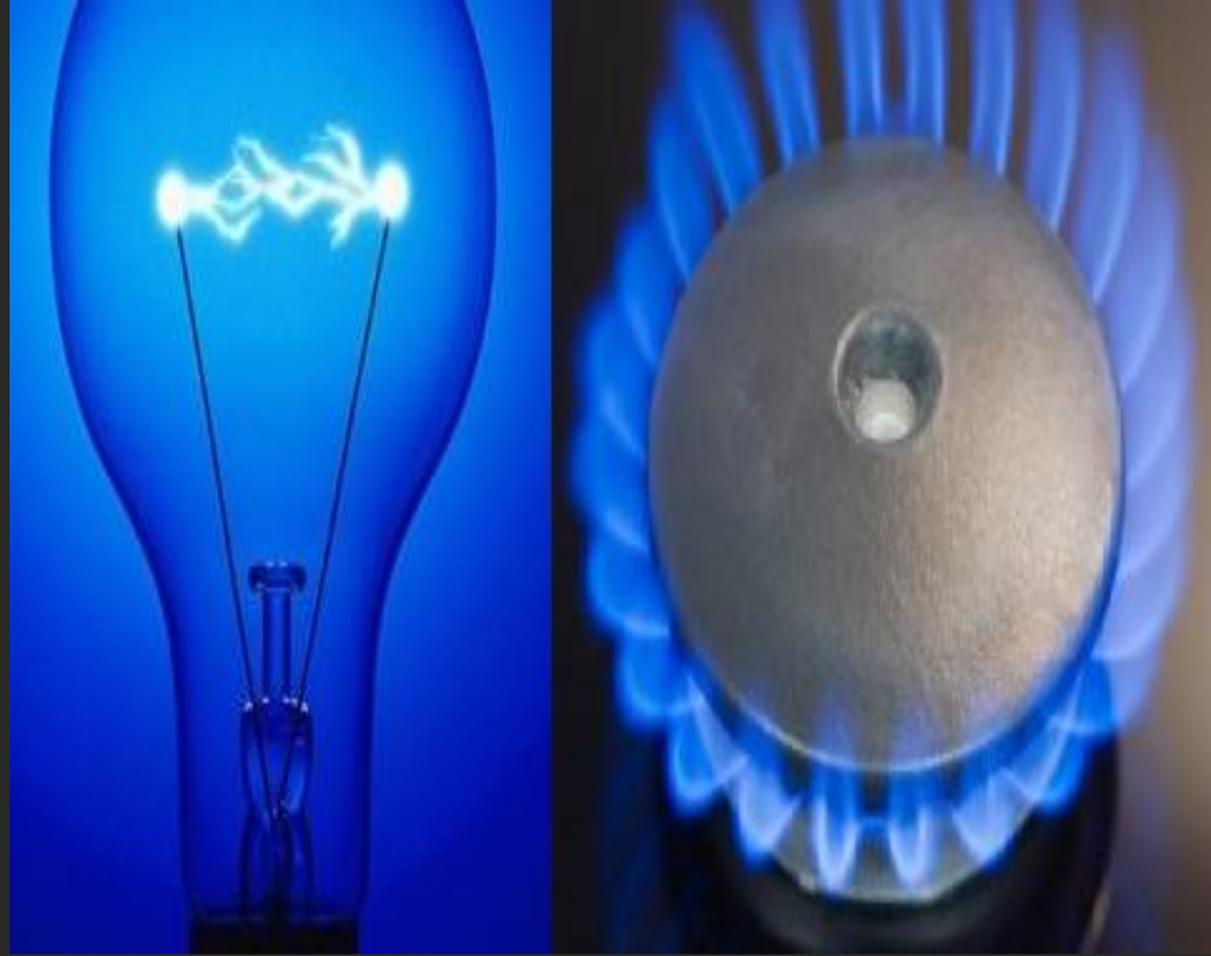
- After an explanation of smart meter functionality, most saw the potential for an improved CoS process as a result of automated meter reading
- However, consumers showed limited interest in the specific improvements (more accuracy, reliability and quicker CoS process)
 - This was because the speed and reliability of the CoS transfer were not the main barriers affecting market engagement
- In light of this new information only a few consumers changed their views around timescales
 - They tended to be younger, tech-savvy consumers, and reduced the time of the CoS process to between same day and a few days

Section 4

Conclusions

- Overall the study found that the **earlier stages of the consumer journey** (e.g. making purchasing decisions) are a **bigger disincentive** to engaging with the market than the Change of Supplier (CoS) process
- **Reliability and accuracy was biggest concern for most** – billing errors and high levels of consumer involvement were considered to be the main potential ‘deal breakers’ in the process
- **Most suggested only conservative improvements in timings** as they thought a quicker process would involve a ‘trade-off’ against the accuracy of the process and/or consumer protection. However, a few did want the switch to be ‘as quick as possible’
- There was a **consensus that the process should be as efficient and stream-lined as possible**
- Consumers were also interested in suppliers providing **better customer care and communication, quality processes and minimising consumer involvement**

Research to inform arrangements of a future Change of Supplier (CoS) process



Final - Internal Client Use Only

Thank you

anna.beckett@ipsos.com | 020 7347 3115