

Consumer Futures

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Consumer Futures represents consumers across regulated markets. We use evidence, analysis and argument to put consumers at the heart of policy-making and market behaviour. We speak up for consumers of postal services in the United Kingdom, of energy across Great Britain and of water in Scotland.

In 2014, subject to parliamentary approval, Consumer Futures will become part of Citizens Advice and Citizens Advice Scotland.

Consumer Futures research on TPIs

Domestic market

- Comparing comparison sites (2013)
- Price Comparison Websites – consumer perceptions & experiences (2013)
- Collective switching (forthcoming 2013)
- Next Generation Intermediaries (forthcoming 2013)
- Price Comparison Websites – accreditation and regulatory compliance (forthcoming 2014)

Non domestic market

- Watching the Middleman (2011)
- Under the microscope (2012)

Comparing comparison sites

- **Mystery shopping research by eDigitalResearch in March 2012**
- Investigated 99 price comparison websites operating in a wide range of markets including 18 energy PCW
- Found that consumers could save money in only 21% of cases

Energy findings

- Some websites did not provide sufficient clarity on costs or provide more tailored searches
- 84% of energy mystery shoppers had a positive impression of the website
- 86% could find the tariff they chose on the supplier's website
- General areas for improvement included providing better information about terms used, complaints process, how frequently key information like prices were updated
- Areas where sites performed well included allowing customers to submit complaints online, providing information about how revenue is generated and signposting to other sources of help and advice.
- Confidence Code accredited sites performed better than non accredited sites.

Price comparison websites: Consumer perceptions and experiences

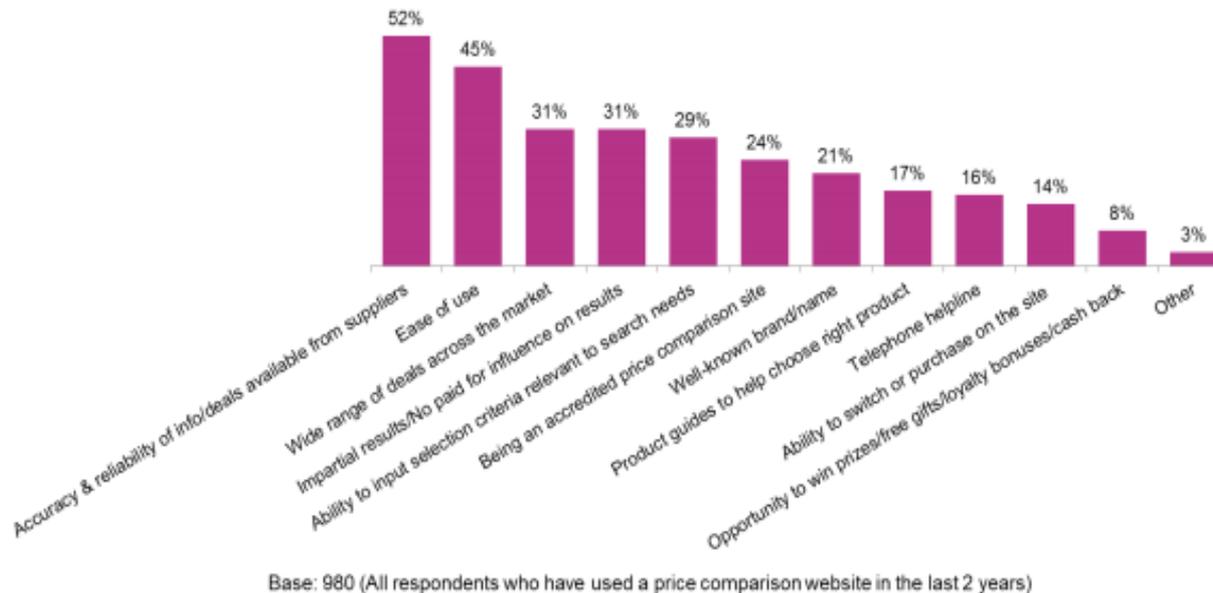
- Qualitative and quantitative research by RS Consulting (Jan-Mar 2013)
- Explore consumer experiences with the PCW market in terms of: awareness, trust and confidence, user behaviour, accessibility and usability, awareness of PCW accreditation schemes and any consumer concerns



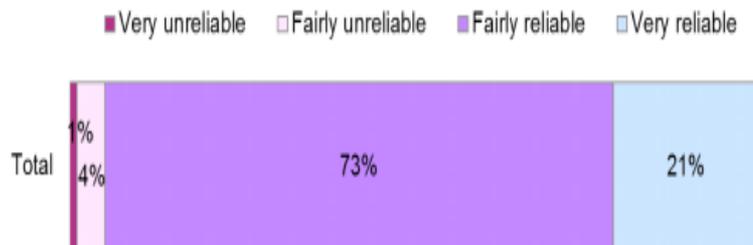
Base: 980 (All respondents who have used a price comparison website in the last 2 years)

PCW: Usability expectations

Most important features when using PCWs

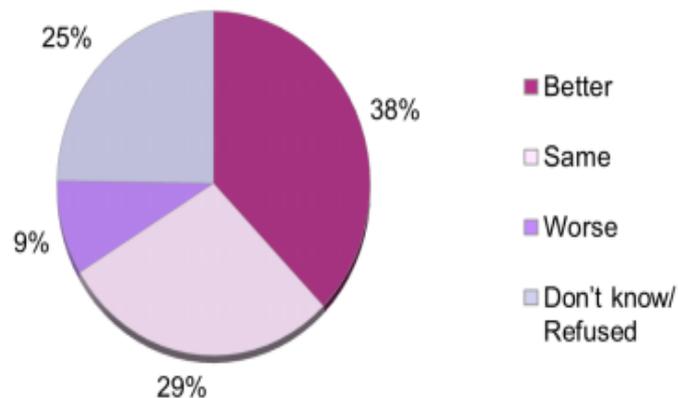


Perception of reliability of PCWs



Base: 980 (All respondents who have used a price comparison website in the last 2 years)

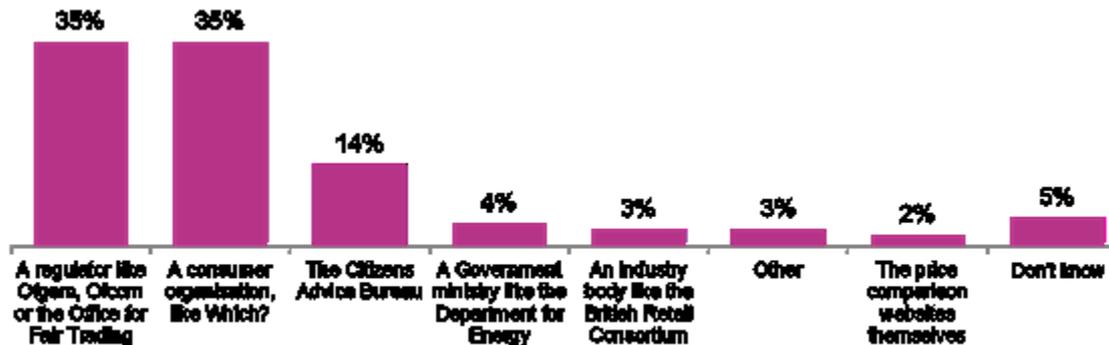
Whether PCWs are perceived to give a good deal?



Base: 375 (All respondents who have not used a PCW in the last two years but have heard of PWCs)

PCW: Accreditation

Who would be the most trusted to run an accreditation scheme?



Base: 815 (All respondents who are not aware of accreditation schemes)

PCW research conclusions

PCWs and policy makers need to address the following issues:

- Transparency and clarity of information (ranking criteria, selection of suppliers, sponsored or advertised links)
- Raising awareness of accreditation schemes
- More effective advertising of collective switching sites and next generation PCWs
- Privacy concerns: data sharing with third parties, unauthorised use (unsolicited communication)

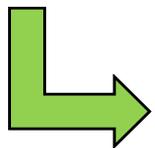
Collective switching research

- Series of focus groups carried out by DJS Research in October-November 2012 to test the key concepts and assumptions that underpin collective switching.

Out of the groups

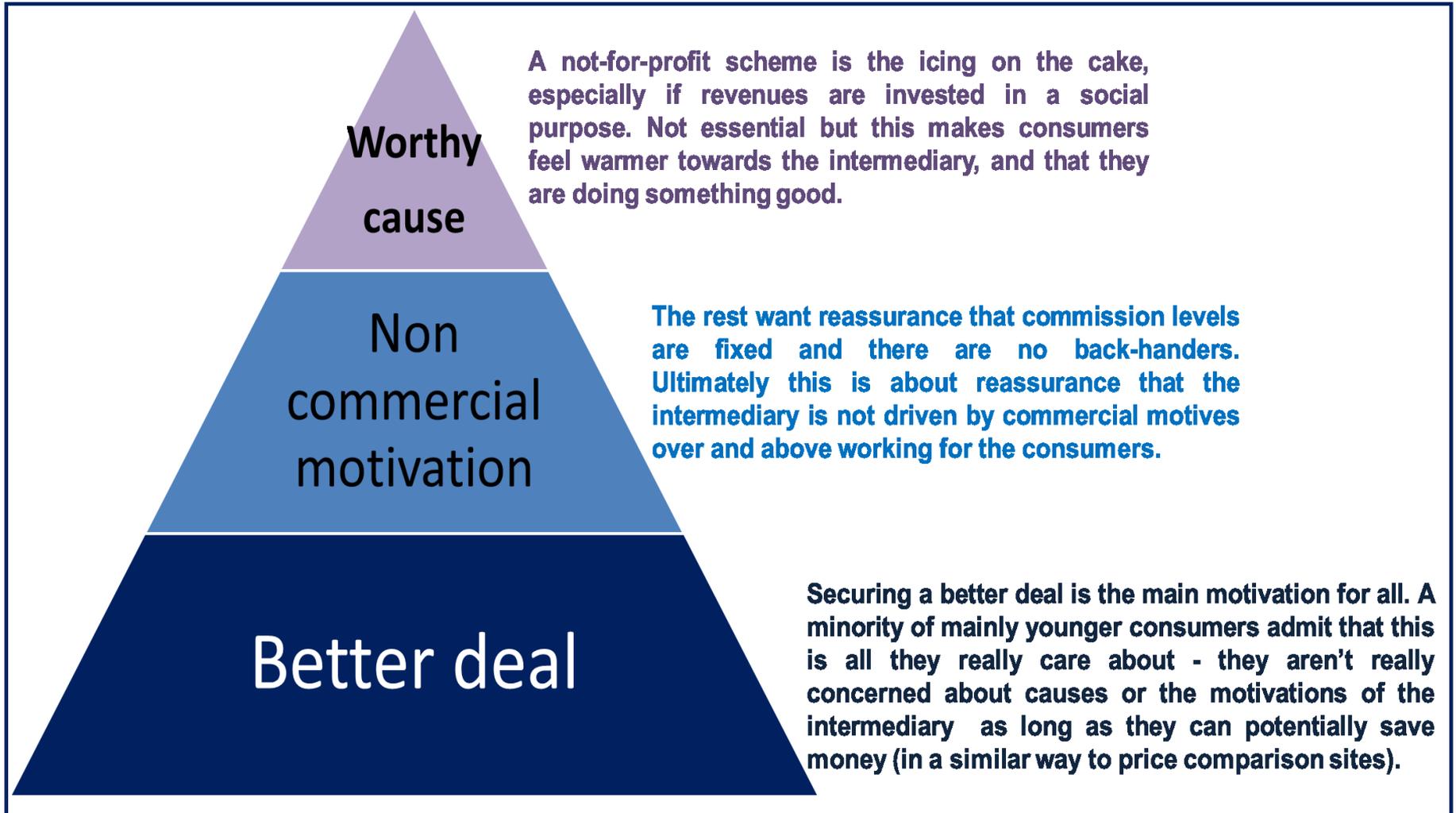
- Had heard of collective switching = virtually no-one
- Could guess roughly what it is = virtually everyone
- Consumers like the idea of someone doing the legwork for them
BUT
- Consumers question the identity and motives of the intermediary
– what's in it for them?

Views are mixed on possible identity of the 'ideal' intermediary



the most interesting insights came when discussing *reasons* for individual preferences, and the *qualities* that are felt to be important – here there was a good degree of consensus...

Consumer sentiment regarding commission and commercial gain can be summarised as follows:



Collective Switching research conclusions

- Widespread consumer support for concept
- Backing of a **reputable intermediary** will significantly reduce the level of reassurance required by consumers and is critical in instilling **trust** amongst more wary consumers
- **Fairness and transparency** – want an intermediary that is driven primarily by consumer interest rather than commercial/shareholder interests, and is not taking ‘back-handers’ from the winning supplier.
- **Accessibility**: intermediary with the resources reach large numbers of consumers using both online and offline channels.
- Need some **level of customer support** to ensure a smooth transition to a new supplier.
- Concern that **energy companies will eventually find ways to ‘get round’ collective switching** – will the intermediary, or a regulator, have the power to stand up to these suppliers and prevent this?

Watching the Middleman

- Cornwall Energy was asked to scope the scale of the non domestic TPI market, consider scope for future development of the market and assess the risks if the sector remained unregulated
- Review found that the TPI market is diverse in size and service offerings and offers benefits to consumers and suppliers
- Key concerns about TPIs included:
 - misrepresentation of their roles, offers from suppliers and fees
 - Poor quality service provision leading to sub-optimal advice
 - Lack of transparency, especially on commission levels and supplier coverage.

Watching the Middleman – conclusions for TPIs

- Need for more consumer education on role of TPIs and benefits they can bring
- Regulating TPI conduct
- Further consider treatment of commissions

Under the microscope

- In January 2012, Cornwall Energy was asked by Consumer
- Focus to update energywatch's 2004 business markets study by:
 - commenting on the state of non-domestic electricity and gas
 - competition with a focus on micro-businesses;
 - comparing the 2011 and 2004 regulatory regimes for the non domestic electricity and gas markets;
- updating on the assessments of competitiveness from the 2004 report; and
- assessing future drivers and challenges for the non-domestic market in
- general and micro-businesses in particular.

The market context

	Agree strongly (5)	Agree slightly (4)	Neither agree nor disagree (3)	Disagree slightly (2)	Disagree strongly (1)	Don't know	Agree	Disagree
							(5+4)	(3+2)
I find it impossible to compare prices across suppliers	25	20	9	24	20	3	45%	44%
I wish I was better informed and able to make better choices in this area	39	20	12	16	11	1	60%	27%
I am confident who to go to for help if I have a problem with my energy supplier	37	25	6	16	15	1	62%	31%
We find it straightforward negotiating favourable terms and conditions of supply	23	28	13	14	19	3	51%	33%

Under the microscope – Perception of TPIs

Consumer groups

- Can be helpful but too often seem to cause as much trouble as suppliers
- Better information would mean more of the market could go direct

Non Big Six suppliers

- TPIs play a critical role in making the market work as a channel to new business
- Have worked hard to ensure their TPIs operate professionally
- Over-regulation could stop TPI channel working

Big Six suppliers

- Misrepresentation by some TPIs
- TPIs play a critical role in making the market work as a channel to new business
- Have worked hard to ensure their TPIs operate professionally
- Regulation is probably necessary to stop abuse by some TPIs.

Under the microscope – research conclusions on TPIs

- A single, independently administered code of practice that all TPIs must adhere to
- Ofgem should be the accreditor of this code
- Coverage
 - Supplier offers as a ration of the number of suppliers in the market
 - Only accredited personnel to deal with consumers
 - No inhibition of consumer's ability to communicate with the supplier;
 - A change mechanism
 - Provide consumer with printed summary of all offers reviewed
 - Each TPI to operate a complaints handling mechanism
 - On request to the consumer provide a written statement of any payments
 - Independently administered sanction mechanism
- Licence condition on suppliers to accept only contracts from TPIs that meet the code

Forthcoming Consumer Futures research

- Autumn 2013 – Next Generation Intermediaries
- Autumn 2013 – Collective switching report (GB)
- Early 2014 – Assessing PCW accreditation and compliance with regulatory requirements

Summary of views of domestic & non domestic consumers

- Consumers are using or are interested in using TPIs in the energy sector to get a better deal
- Many consumers like the idea of having someone do the leg work for them, whether that is helping them make sense of the choices available or negotiating deals on their behalf
- Consumer awareness of TPI business models is relatively limited
- TPIs must be fully clear about commissions and how much of the market they search (including any special rates they can obtain from some suppliers and why)
- An accreditation scheme with clout could increase consumer confidence in the TPI market
- BUT consumers are also worried about the behaviour of suppliers

What Consumer Futures wants

- Appropriate level of consumer protection
- Appropriate level of regulation – provide protection for consumers & allow innovation

How we get there

- A robust Ofgem-run accreditation scheme that is mandatory for all TPIs
- A single code covering the domestic and non domestic markets as well as the varying types of TPIs
- New licence requirement on suppliers to only contract with accredited TPIs

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