

Consumer engagement in the energy market since the Retail Market Review

2016 Survey Findings

Report prepared for Ofgem

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Executive summary

This report presents results from the 2016 Ofgem consumer engagement survey. This has been conducted annually since 2014, with around 6,000 consumers, to track engagement in the domestic energy market following Ofgem's Retail Market Review (RMR). The RMR aimed to promote consumer engagement in the energy market and improve competition between suppliers by making the market simpler, clearer and fairer. Following the introduction of its RMR reforms, in June 2014 Ofgem referred the market to the Competition and Markets Authority (CMA) for a full investigation because they were concerned that, in the domestic and small business markets, competition between suppliers was not delivering the outcomes for consumers that they expect. This report presents engagement trends between 2014 and 2016 to help understand whether and how consumer behaviours and outcomes have changed over this period. Ofgem have made available the data from these surveys to the CMA to assist it in its investigation of the energy market.

Are consumers more or less engaged than in 2014?

To measure consumer engagement consistently following the implementation of the RMR reforms, TNS BMRB developed a consumer engagement index. On the basis of this index, it has been possible to divide consumers into four segments - from the least engaged "*Unplugged*" group through to the most engaged "*Switched on*" group. The size and composition of these segments have been tracked since 2014.

The engagement index first awards points for *awareness*, such as knowing you can switch supplier, change tariff with your existing supplier and change your payment method. Consumers can also gain points on the basis of their *behaviour*, including if they have switched supplier or changed tariff in the last 12 months or ever, whether they have made a comparison with tariffs offered by other suppliers or their own in last 12 months, if they have changed their payment method in the last 12 months, if they have communicated with or complained to their supplier, and if they have read any communication from a supplier.

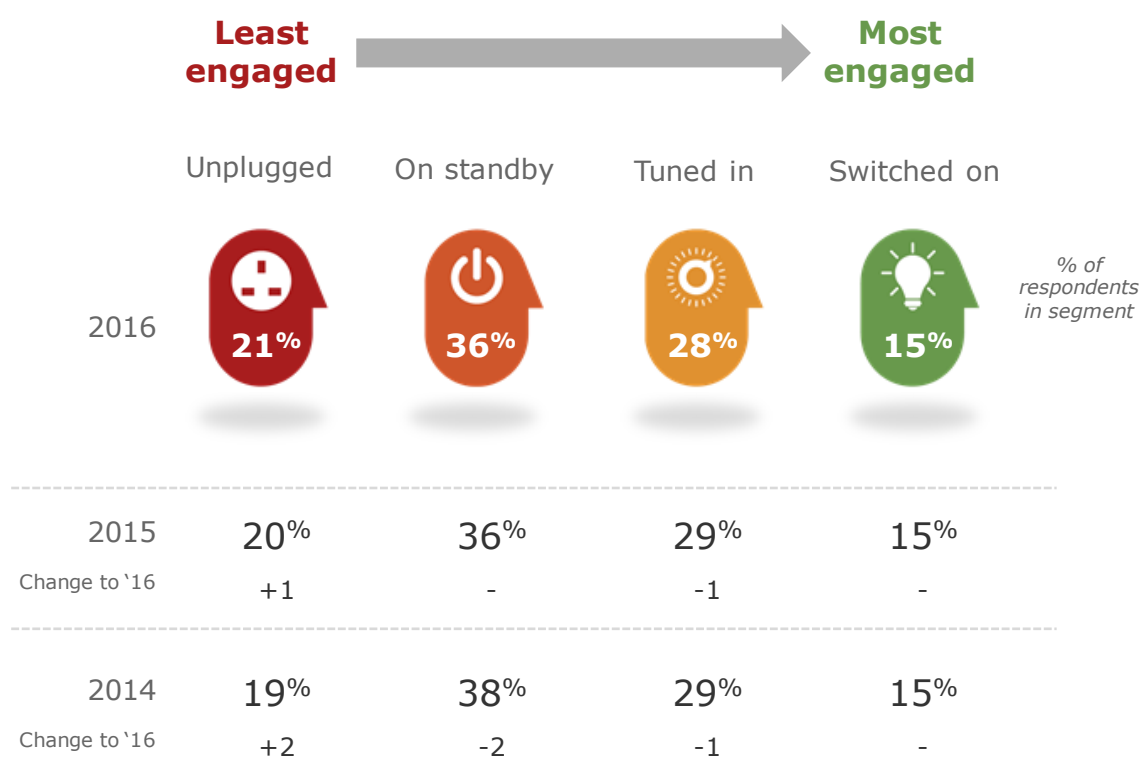
The segmentation shows consumer engagement in 2016 is broadly similar to 2014 – around a fifth (21%) of consumers are in the *Unplugged* group, and 15% are in the *Switched on* group. There has, though, been a very small increase in the proportion of *Unplugged* consumers, from 19% in 2014. The proportion in the middle segments - *On standby* and *Tuned in* - has remained stable at 28% and 36% respectively.

Each segment contains a mixture of consumers from all socio-economic groups but there are some associations between consumer characteristics and engagement levels. *Switched on* consumers are more likely to be from higher socio-economic groups in comparison to other segments, a pattern that has strengthened since 2014. They are also more likely to be in the middle (35-64) age range and own their home. This suggests that attempts to improve engagement are primarily reaching more advantaged consumers.

Unplugged consumers are more likely to be from lower socio-economic groups, be on prepayment meters, and live in social rented accommodation. This segment continues to contain a high proportion of under 35s (25%) but the over 65s form a smaller proportion of the group than they did in 2014 (29%). The *On standby* and *Tuned in* groups are broadly representative of consumers overall.

While there is theoretically a maximum score of 70 points in the engagement index, no consumers scored more than 50, reflecting that even the most engaged consumers could potentially be more engaged. This likely reflects how some engagement can be ongoing, such as reading bills, whilst other activities are periodic, such as changing tariff or supplier.

Figure i Consumer engagement index segments



While overall there appears to be very little change in consumer engagement, there have been some small improvements in underlying behaviours and associated activities.

How is consumer engagement activity changing?

The proportion of consumers who are aware of all of their key options¹ to engage in the energy market has increased from 75% in 2014 to 80% in 2016, with increases across all segments, including a rise (from 38% to 50%) in the *Unplugged* group. However, this is offset by a reduction in other activities among this segment such as recalling and reading communications. It appears that rising awareness among this group is not translating into activity. This may reflect barriers within the energy market, but may also be a reflection of general consumer attitudes and behaviours. We consistently find that the *Unplugged* group are

¹ The following options are presented: Change their payment method with their current supplier, Change their tariff with their current supplier, Switch to a different supplier

more negative in their attitudes towards saving money or switching providers than other segments.

A greater proportion of consumers are finding it easier to compare tariffs in 2016 (43%) than in 2014 (37%). However, perceptions remain polarised, with 32% still saying that comparing tariffs is difficult, although this has fallen since the 2014 baseline survey (39%). Those most likely to be engaged in the energy market – the *Switched on* group – are most likely to be positive about the ease of comparing tariffs (57% say it is easy to compare tariffs, compared to 29% of *Unplugged* consumers), but it is not clear if this perception is a driver or consequence of their engagement behaviour. The majority (60%) of 'active'² consumers felt that there has been no change in the ease of comparing tariffs since last year, suggesting improvements were made and have been sustained since 2014. The availability of information, especially online and through price comparison websites, is one of the main reasons some consumers feel positive about the ease of comparing tariffs. There are some, though, that feel there is too much information, making it complicated to navigate the energy market.

Levels of switching supplier, changing tariff with an existing supplier, and comparing tariffs in the last 12 months remain fairly stable. Fifteen percent of consumers report that they have switched energy supplier in the last 12 months (14% in 2014), 17% have changed tariff (16% in 2014) and 18% have compared tariffs with another supplier (17% in 2014)³. Comparing tariffs on offer from a consumer's own supplier has increased slightly (17%, 15% in 2014)⁴. Overall, 37% of consumers have been 'active' in at least one of these ways in the last 12 months; a rise from 34% in 2014. This tends to be among groups who were already moderately engaged, with little change in behaviour in the *Unplugged* segment.

A sizeable minority (12%) of consumers say they switched supplier or tariff but did not compare tariffs, something that is more prevalent amongst the less engaged segments. This indicates that even amongst the more 'active' consumers there are degrees of engagement. It also raises the issue that some consumers may be changing tariff or switching supplier without full information about the choice they are making. Of course, some switching activity as reported by consumers may be passive, such as moving house and switching supplier as a result, and switching without comparing is more likely in these circumstances. Switching without comparing is more common amongst those who have recently moved house (17%, compared with 6% who have not moved house). It should also be noted that the survey does not record if the comparison and switching activities were linked, however our analysis assumes that they were related activities.

Online price comparison services are the most common method for finding out about deals offered and also the most common route to changing tariff or switching supplier. The importance of online access as a way of finding out about deals offered for those who

² 'Active consumers are those who have been active in at least one of the following ways in the last 12 months: Changed their payment method with their current supplier, Changed their tariff with their current supplier, Switched to a different supplier, Compared their tariff with their existing supplier, Compared their tariff with another supplier.

³ This is based on consumers self-reporting on their behaviour over the last year.

⁴ In 2014 questions on comparing were only asked if a respondent had *not* switched supplier or changed tariff in the last year. The 2016 results presented here have been rebased to allow for comparison (please see section 3.3.1 for more detail).

compared tariffs or switched in the last 12 months has increased substantially from 39% in 2014 to 51% in 2016.

Consumers are still fairly evenly divided between those who are familiar with their own tariff or wider tariffs (44% offered by own supplier, 42% by suppliers in general) and those who are not. Not surprisingly, familiarity is highest among the more engaged segments, rising to 75% of *Switched On* consumers being familiar with their own tariff.

A majority of consumers (82%) recall receiving one or more communications from their energy supplier in the last 12 months, in line with the 2014 survey. Of these consumers, most (c.80-90%) read the communication in detail or at least glance at it. A majority (75%+) of those engaging with communications find them clear, a result that has improved by around 3-4 percentage points since 2014.

There has also been an increase in those who 'thought about switching' after receiving a communication such as a bill (13% up from 5% in 2014), but otherwise there is limited evidence that communications are driving improvements in consumer engagement.

Other results suggest that specific RMR remedies - Cheapest Tariff Messaging (savings messages), Tariff Comparison Rates (TCRs) and Personal Projections (PPs) - are not sufficiently effective in encouraging many consumers to get a better deal. Whilst a third of consumers recall seeing a message about saving money on their energy bill, for example, only a third of them were prompted to take action as a result.

Consumers are more likely to recall savings messages and PPs (both 34%) than TCRs (20%), but TCRs are more likely to prompt action such as the checking of your own tariff (39%). It appears that although information remedies, can have some impact on behaviour, they are neither reaching nor having a sufficient impact on the most disengaged segments. For example, *Switched on* consumers are considerably more likely to recall seeing a TCR than those who are *Unplugged* (42% and 5%, respectively).

How are consumers' perceptions and experiences of the market changing?

Just under half of consumers (48%) believe there is the right amount of choice of tariffs in the energy market, an increase (from 45%) since 2014, driven by improvements amongst the more engaged groups of consumers. Those who are less engaged are much more likely to say they don't know about the amount of choice than those who are engaged.

Trust in suppliers to treat consumers fairly (66%, 62% in 2014) or charge a fair price (58%, 51% in 2014) has also improved, whereas the proportion of consumers that trust their supplier to provide clear and helpful information remains largely stable (66%, 64% in 2014). Overall, there has been an increase in trust in their supplier among all segments, except the *Unplugged*. Trust amongst consumers in energy suppliers in general (44%) is at a much lower level than trust in their own supplier (63%⁵).

What are the drivers, barriers and enablers of consumer engagement?

There are a number of factors that influence consumer behaviour, but price, and the desire to make a saving, is the strongest driver for switching and comparison activity. Consumers say

⁵ This is an overall figure, combining levels of trust regarding their own supplier treating customers fairly, providing clear and helpful information, and charging a fair price.

they need to save, on average, just under £300 per year to change their supplier or tariff. These expectations are similar to those from 2014, despite energy bills reducing for many consumers.

Those who are already more engaged in the energy market (the *Switched on* and *Tuned in* segments) are more likely to be motivated to switch by price savings, and the amount they need to save to prompt action is lower than for those who are disengaged. There is also a small proportion of consumers (17%⁶) for whom price is not a strong motivator, particularly amongst the less engaged. This suggests that disengaged consumers are likely to be harder to motivate by price alone, but this research doesn't easily indicate other strong drivers of consumer behaviour.

Access to the internet is a key facilitator in getting a better deal in the energy market. Those most likely to be engaged are also likely to be regular internet users, and to have access to tools such as Price Comparison Websites and online accounts, which may promote action. As well as an increase in consumers using the internet to find deals and to switch, consumers in 2016 are also much more likely to interact with their energy supplier through an online tariff. The number of consumers on an online tariff has increased from 34% in 2014 to 40% in 2016.

Finally, we should remember that consumers tend to behave similarly across many markets. Those who engage in the energy market are also more likely to be switching suppliers for other services and those who are negative about the benefits of engaging tend to be inactive in other markets⁷. The *Unplugged* segment contains a group of generally older, particularly disengaged consumers but also there are younger consumers in this group who are aware of their options but have chosen not to, or are unable by circumstance, to take action.

Over the three survey waves since 2014, the results have consistently pointed to a relationship between more socio-economically advantaged consumers being more engaged with the energy market. On the whole, consumers in the middle age bracket, higher socio-economic grades and who own their home are more likely to engage. Those who are highly disengaged are more likely to be from a lower social grade, to rent social housing, to be non-white and not to speak English as a first language. Throughout this report, we have only highlighted demographic trends if they do not fit this pattern, or point to this trend weakening or strengthening.

⁶ The proportion who said 'it's not about the money' at Q17 when asked, What would be the minimum amount of money you would have to save to encourage you to switch your gas or electricity supplier?

⁷ When asked if they had switched provider in the last 12 months for a range of service providers (current account, cash ISA, credit card balance transfer, mobile phone network, landline phone calls, internet/broadband provider), just over one third (35%) of *Switched on* group said they had switched at least one of these in the last 12 months, compared to 15% of the *Unplugged* and 16% of the *On Standby* group.

1. Introduction

1.1 Context and report structure

In 2013-14 Ofgem introduced its Retail Market Review (RMR) reforms to help promote consumer engagement in the energy market and improve competition between suppliers, by making the market simpler, clearer and fairer for consumers. Following this, in June 2014 Ofgem referred the market to the Competition and Markets Authority (CMA) for a full investigation because they were concerned that, in the domestic and small business markets, competition between suppliers was not delivering the outcomes for consumers that they expect.

As part of its monitoring and evaluation framework, Ofgem commissioned TNS BMRB to conduct a nationally representative face to face survey in spring 2014 of over 6,000 energy consumers in Great Britain⁸. The aim of the survey was to contribute towards the establishment of a baseline of consumer attitudes and behaviour in the early stages of the RMR interventions. TNS BMRB repeated the survey on behalf of Ofgem annually since 2014 to examine any changes in these attitudes and behaviours. Ofgem have provided the data from these surveys to the CMA to assist it in its investigation of the energy market.

This report presents findings from the 2016 survey, and shows trends in consumer engagement in the energy market since 2014. Following this introduction chapter, the report presents:

- Chapter 2 'Are consumers more or less engaged since 2014?' This chapter presents the segmentation of consumers based on their engagement in the energy market, and explores the trends in engagement patterns since 2014 including the demographic profiles of engaged and disengaged consumers.
- Chapter 3 'How is consumer engagement activity changing?' This covers two main topics: i) consumer actions in the energy market, including changing and comparing suppliers and tariffs ii) consumer behaviours relating to communication. It also includes analysis of consumer confidence that they are on the best deal for them.
- Chapter 4 'How are consumers' perceptions and experiences of the market changing?' This chapter looks at consumer satisfaction with their supplier, levels of trust and perceptions of choice in the energy market.
- Chapter 5 'What are the drivers, barriers and enablers of consumer engagement?' This final chapter looks at the potential influences on consumer engagement behaviours, including pricing, customer type, circumstance and experience.

⁸ Ofgem (2014) Retail Market Review Baseline Survey, conducted by TNS BMRB.

1.2 Presentation of data

As outlined above TNS BMRB has conducted three annual surveys to measure consumer engagement behaviour and elements of the RMR remedies over time. The surveys are conducted face to face with a representative sample of circa 6,000 energy consumers in Great Britain.

Table 1.1 Survey dates and sample sizes

Survey	Conducted	Achieved sample size
2014	March/April '14	6151
2015	February/March '15	5934
2016	February/March '16	5956

Throughout the report analysis is conducted by key sub-groups, including the consumer engagement segments, and comparisons are made with results from the 2014 survey⁹.

This report is accompanied by a technical report, providing more detail on methodological aspects, and a full set of data tables and respondent level data. These are available from the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/consumer-engagement-energy-market-retail-market-review-2016-survey-findings>

This report presents results for all consumers graphically and discusses variation by key socio-demographic groups in the text. Supporting data tables showing full socio-demographic variations are published alongside this report. Comprehensive technical details, including the full questionnaire and supporting tables showing 2016 results for key measures, including attitudes, actions and energy circumstances, plus comparisons to 2014 and 2015 results, are also published in an accompanying technical report.

Trend analysis is focused on the differences between the current 2016 survey and the 2014 baseline study. Whilst the 2014 survey acts as a 'baseline' for this analysis, it is important to note that prior to this initial survey some individual RMR remedies had already been introduced¹⁰. These included:

- Introduction of the Standards of Conduct creating legally binding obligations for energy suppliers to treat customers fairly.
- Introduction of new rules to enhance consumer protection for consumers on fixed term tariffs. For example, by banning automatic contract rollovers for domestic consumers.
- Introduction of a limit on the number of tariff choices and standardised tariff structures.

⁹ In some cases where a new question was added in 2015, comparison can only be made to the 2015 survey results.

¹⁰ While the introduction of some RMR remedies prior to the 2014 survey means a completely clean baseline of consumer behaviours and circumstances could not be established, in Ofgem's view it is unlikely the measures implemented would have impacted significantly on consumer engagement in the absence of the full package of reforms.

Nevertheless the baseline survey was largely complete ahead of the introduction of new rules to make supplier communications clearer for consumers.¹¹ These included:

- Improvements to routine communications, after which suppliers were required to provide Personal Projections (PP), a Tariff Comparison Rate (TCR) and Tariff Information Label (TIL)¹² to help consumers understand their existing tariff and navigate the market.
- The inclusion of new prompts to engage, such as personalised information on the supplier's cheapest available tariff.
- Additional rules relating to dead tariffs were also introduced at the end of June 2014¹³.

While the questionnaire has been kept largely consistent over the three surveys, there were some questionnaire changes between 2014 and 2015 to remove some questions and introduce new ones, and also to alter the way in which combined gas and electricity supply customers were routed through the questionnaire. Changes between 2015 and 2016 were minimal.¹⁴

For many results we present combined scores across categories – for example combining very and fairly confident responses into a combined 'confident' category. The combined result is included in a floating box next to the two categories it is made up from. The combined figure in the floating box may not in all cases be the simple sum of the two separate figures – due to rounding, the combined figure may sometimes be 1% less than the sum of the two separate categories.

In many cases, results are presented as an aggregate figure across all types of consumer, despite being asked of gas and electricity consumers separately¹⁵ or gas, electricity and dual fuel consumers separately. The accompanying technical report provides a full copy of the questionnaire, details of changes between the three years of the survey, and explanatory notes on how aggregate scores are calculated.

It should be remembered that the survey was conducted with a (representative) sample of consumers, rather than the entire population. Results are therefore subject to sampling variability – we cannot be certain that the figures obtained are exactly those we would have if all consumers had responded (the 'true' values). We can, however, predict the variation between the sample results and the true values from knowledge of the size of the samples on which the results are based and the number of times a particular answer is given. The confidence with which we can make this prediction is usually chosen to be 95 percent – that is, the chances are 95 in 100 that the true value will fall within a specified range (the margin of error). As each of the three annual surveys has been conducted using a quota sample, rather than a random probability sample, statistical differences are presented on an indicative basis only. Throughout the report, differences of 1% are not presented as a change, differences of

¹¹ The vast majority of fieldwork was carried out before these new rules around supplier communications became mandatory. However due to the phased approach some suppliers took in introducing them, some changes may have already been in place at the time of fieldwork.

¹² See chapter 4 for a more detailed description of these remedies.

¹³ A dead tariff is a standard variable rate tariff that is no longer available to new customers.

¹⁴ Further details are provided in the accompanying technical report.

¹⁵ In reality the majority of the sample are both gas and electricity consumers and therefore get asked both questions in these cases.

2% are presented as a slight change, and differences of 3% or more are presented as a significant change.

Where respondents can give multiple responses to a question, the sum of the individual responses may be greater than 100 percent. Also, the percentages in the tables and charts do not always add to 100 percent due to rounding, and the sum of sub-group percentages discussed in the text may differ from the apparent totals in the charts due to rounding. Similarly, where a number of responses have been grouped together (such as agree strongly and tend to agree), or for the net scores as described above, responses may not always equal the sum of the individual responses, again due to rounding.

1.3 Terminology

All consumers – We sampled respondents who were responsible, or jointly responsible, for the gas or electricity bills in their household. Most (91%) respondents bought their gas and electricity from the same supplier (often as part of a dual fuel deal), whilst the remainder either had separate gas and electricity tariffs or electricity supply only¹⁶. We asked some questions specifically about gas and electricity and others about all energy suppliers or tariffs. In some sections, responses to the gas and electricity questions were so similar that we have combined the results and, if there was a difference, used an average (mean) or the most positive response. We highlight where we have taken this action throughout the text.

Active consumers - Some questions were only applicable if a consumer had switched supplier, changed tariff with their existing supplier or conducted any comparison activity in the last 12 months. We refer to this group as 'active' consumers.

¹⁶ A very small number – 17 – reported having gas only supply.

2. Are consumers more or less engaged since 2014?

In this chapter we explore consumer engagement with the energy market. Engagement in the energy market can range from reading bills and contacting suppliers to switching tariff or supplier¹⁷. These metrics are brought together to generate a consumer engagement index – a score for each consumer based on what they are doing in the energy market. This then segments consumers into four groups: The least engaged “*Unplugged*” group through to the most engaged “*Switched on*” group.

Key findings:

- Consumer engagement is broadly similar to 2014 – around a fifth (21%) of consumers fall into the least engaged *Unplugged* group, and 15% into the most engaged *Switched on* group.
- There has been a small shift (2%) towards the *Unplugged* group between 2014 and 2016 whilst the proportions in the *On standby* and *Tuned* groups have been quite stable.
- Unfortunately, with cross-sectional data - as opposed to a longitudinal study tracking the same individuals over time - we cannot say precisely how many individuals move up and down the groups over time. For example, we suspect that a consumer may engage intensively one year and switch supplier but then, after securing a fixed term deal be comparatively less active until that deal ends.
- Nevertheless, profiles and characteristics of the four segments are broadly similar to the baseline survey in 2014.
- *Switched on* consumers tend to be from higher socio-economic groups, a pattern that has strengthened since 2014 and are more likely to be in the middle aged band (35-64) than other segments. This suggests that attempts to improve engagement have primarily been reaching more advantaged consumers.
- *Unplugged* consumers are more likely to be from lower socio-economic groups and live in social rented housing. The *Unplugged* segment still has the highest proportion of young people of all the segments, however the over 65s form a smaller proportion of the group than they did in 2014, with the proportion falling into the middle aged bracket increasing.

¹⁷ Building on earlier research by Ofgem, a number of metrics were identified as being key to consumer engagement, including awareness of consumer actions, activity around switching or comparing suppliers or tariffs, changing payment method, as well as contact with a supplier and recall and reading of energy supplier communications.

- The *Unplugged* segment appears to contain two types of consumer. There are young consumers who are aware of their options and positive about the benefits of engagement but have not taken action and then there are older consumers who are less aware and hardest to motivate to increase their engagement.

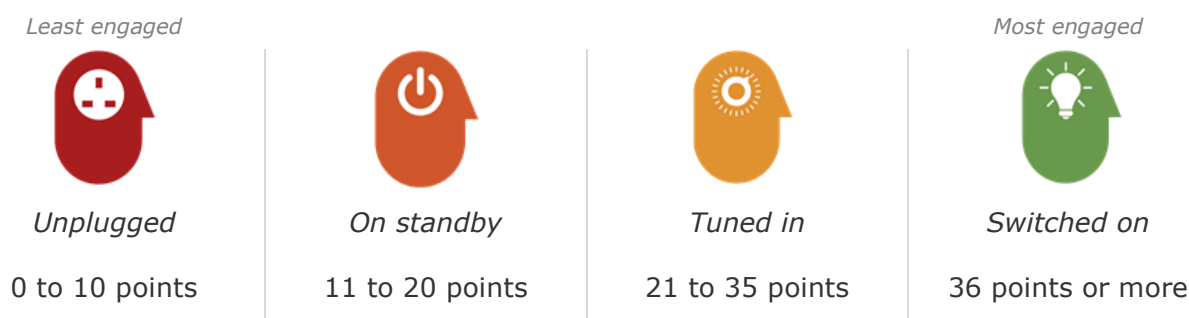
To better understand energy consumers, for the 2014 baseline survey we created an 'index of engagement' in the energy market. This gave consumers scores for each of the following¹⁸:

- **Awareness** that consumers can switch supplier, change tariff with existing supplier and change payment method
- Whether they have **switched** supplier or **changed tariff** in last 12 months or ever
- Whether they have made a **comparison** with tariffs offered by other suppliers or their own in last 12 months
- If they have **changed their payment method** in last 12 months
- If they have **communicated with** or **complained to** their supplier
- If they have **read any communication** from a supplier

A respondent could theoretically score from zero points - if they have no awareness of their options, have never switched or compared tariff and do not read any communications - up to 70 points¹⁹ if they are fully aware of their options and engaged on every measure. In practice, most consumers scored between 10 and 35 points, with only about 4% of consumers scoring 50 points or more.²⁰

In the 2014 baseline survey, we divided consumers into four segments according to analysis of the distribution of the consumers along the index. The scores at which a consumer falls into one segment or another were then fixed for 2015 and 2016 to see if the proportion of consumers falling into each segment is changing over time. The four segments and score ranges are:

Figure 2.1 Consumer engagement segments



¹⁸ Segmentation does not include attitudinal or demographic characteristics.

¹⁹ While there are eight factors in the segmentation, each scoring a maximum of 10 points, those who switched supplier or changed tariff do not also receive the respective comparison question, and therefore cannot score ten points for both switching/changing tariff and comparing.

²⁰ Appendix A presents the full list of factors and scores within the engagement index.

The majority of consumers fall into the *On standby* and *Tuned in* groups – almost two thirds can be described as ‘somewhat’ engaged in the energy market. The most engaged segment, the *Switched On* group accounts for 15% of the population although we should note that very few people scored very highly on the index. Just over one in five (21% of consumers) are in the least engaged *Unplugged* segment. Since 2014, the size of the *Unplugged* segment has increased slightly, corresponding with small decreases in the middle groups. The *Switched on* segment has remained stable in size (see Figure 2.2).

The social and demographic characteristics of the segments are analysed below and summarised in Figures 2.2 to 2.6. Overall, the profiles and characteristics of the four segments are broadly similar to the baseline survey in 2014. All segments contain a mixture of social and economic groups but we do find some differences in the distribution of these groups across the segments.

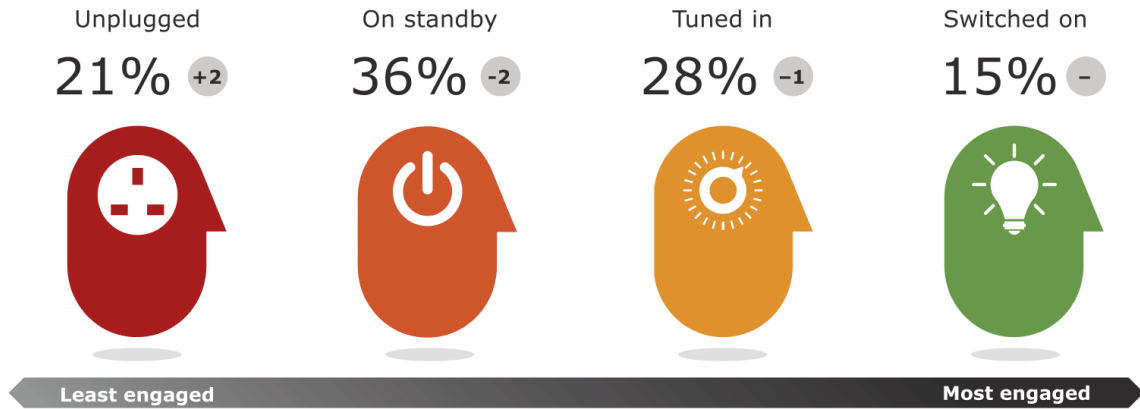
- Consumers in the *Switched On* group tend to be more socio-economically advantaged with those in the *Unplugged* group more disadvantaged. The middle segments, *On standby* and *Tuned in*, are broadly representative of the population.
- Consumers in the *Switched On* and *Tuned In* segments are more likely to be on a fixed term tariff and pay for their energy by direct debit: characteristics of more financially advantaged groups.
- Under 35s are over-represented in the *Unplugged* segment whilst those in the middle age group (35-64) are over-represented in the *Switched On* group.

Figure 2.2 Overall consumer engagement segment results

Ofgem retail market review – 2016 survey
Segment characteristics

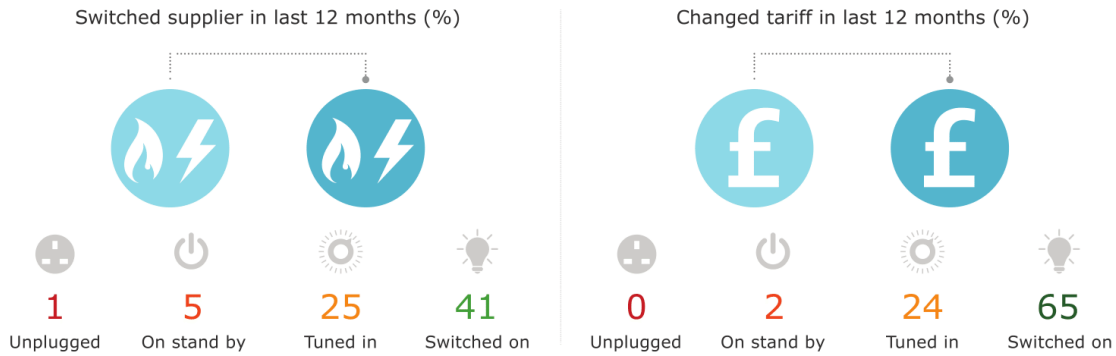


% based on all consumers
 ● Change from 2014



Engagement with the energy market

% based on all consumers in segment



TNS BMRB

The 'Switched on' consumer



The size of the most engaged segment is stable at 15% of consumers. These consumers scored more than 35 points on the index (out of a possible 70), but most were around the 40-45 points level.

How they are engaged

Consumers in this group were nearly all familiar with their options in the energy market (95%) and tended to achieve the further points either through switching activity or through comparing tariffs.

Two in five (41%) have switched supplier in the last 12 months, and 65% have changed their tariff, both representing increases since 2014 (38% and 62% respectively). Of those that did not, half compared tariffs with those offered by other suppliers (54% in 2014) and 52% compared with their own supplier (44% in 2014)²¹.

This group were also more likely to have complained to their supplier in the last year (29%) and made contact for another reason (40%). *Switched on* consumers are highly likely to recall communications from suppliers and to read them in detail.

Social and demographic characteristics

In 2016, 39% are from social grades AB, a large increase compared to 32% of *Switched on* consumers in 2014. Consumers aged 35-64 (60%, 52% all consumers), those who work full-time (49%, 44% all consumers) and those who own their own home (76%, 63% all consumers) are over-represented, showing the link between socio-economic advantage and engagement in the energy market. These consumers are highly likely to be on the internet daily (90%, 74% all consumers), and the most likely to have degree level or above education (37%, 27% all consumers).

Switched on consumers are more likely to be white (95%) and speak English as their first language (85%) than consumers overall (89% and 81% respectively). They are also more likely to be a carer for a friend or relative (13%, 8% all consumers) and to be married (61%, 50% all consumers). *Switched on* consumers are more likely to live in the South East (18%) or the West Midlands (13%) than other consumers (15% and 9% respectively).

Over eight out of ten (88%) report that they pay by direct debit and over two thirds (68%) report being on a fixed term tariff. The vast majority get their electricity and gas from the same supplier (95%, 91% all consumers).

Sixteen percent of *Switched on* consumers have moved house in the last 12 months (11% all consumers), which can act as a trigger for engagement across all social groups.

Attitudes

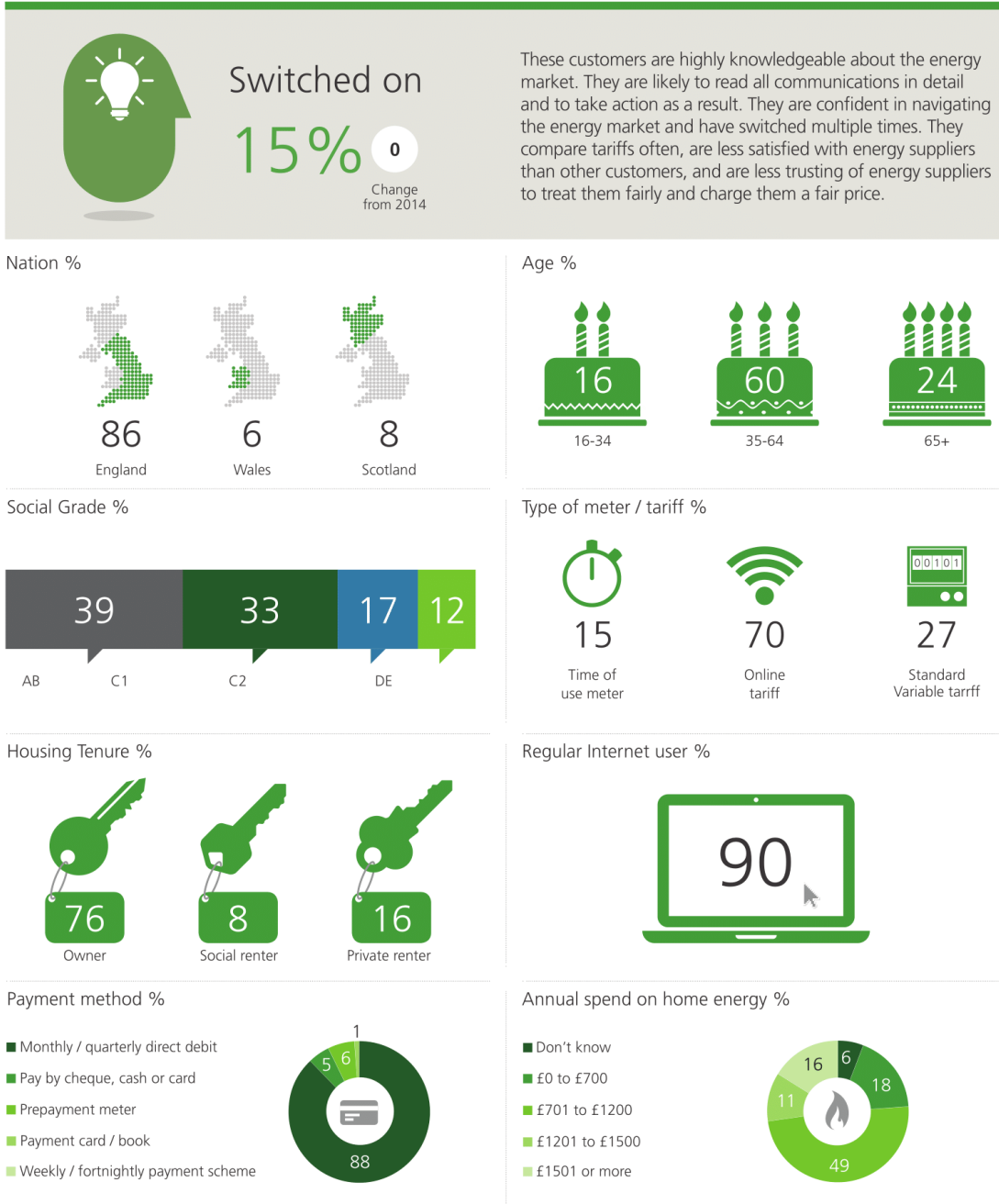
The *Switched on* group are the savviest consumers. They are the most likely to agree that they 'always look for ways to save money' (82%, 72% all consumers), and that they 'always

²¹ In 2014 these questions were only asked if a respondent had *not* switched supplier or changed tariff in the last year. The 2016 results presented here have been rebased to allow for comparison (please see section 3.3.1 for more detail).

check bank/building society statements' (88%, 82% all consumers). They are the least likely to agree that 'Everything is getting more complicated these days' (44%, 56% all consumers).

Figure 2.3 Switched on segment characteristics

Ofgem retail market review – 2016 survey
Segment characteristics





The 'Tuned In' segment is also stable since 2014 (28% compared to 29%). These consumers scored over 20 but no more than 35 points on the index.

How they are engaged

Tuned in consumers are more likely to be conducting activity such as switching supplier, changing tariff and comparing tariffs since 2014. The most notable change is in the proportions that are comparing; 30% and 31% compared tariffs with other suppliers and their own suppliers respectively, up from 27% for each in 2014²². A quarter of this group have switched supplier in the last 12 months (22% in 2014) and 24% have changed tariff with their own supplier (20% in 2014). Those in this group are more likely now to be aware of consumer actions (87%, 82% in 2014) but engagement with communications from energy suppliers has fallen (for example the proportion who read their annual summary in detail has fallen from 53% to 48%).

Social and demographic characteristics

This group are fairly representative of the population by age, and social grade, and most own their own home (69%). The most notable change is that a lower proportion of this segment are now in AB social grades (27%, 30% in 2014). The corresponding increase in the proportion of AB consumers in the *Switched on* segment does suggest that attempts to improve engagement are primarily reaching more advantaged consumers.

Just under half (49%) report that they are on a fixed term tariff deal and just over three quarters (79%) report that they pay by direct debit.

Attitudes

The attitudes of *Tuned in* consumers are overall more positive than those in the *Unplugged* and *On standby* groups. A quarter agree that 'financially things are a bit of a struggle for me' (25%, 29% all consumers) and 'I often make decisions on impulse' (26%, 27% all consumers). The vast majority (85%, 82% all consumers) report that they 'always check bank or building society statements when they get them'.

²² In 2014 these questions were only asked if a respondent had *not* switched supplier or changed tariff in the last year. The 2016 results presented here have been rebased to allow for comparison (please see section 3.3.1 for more detail).

Figure 2.4 Tuned in segment characteristics

Ofgem retail market review – 2016 survey
Segment characteristics

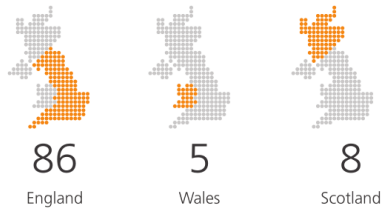




Tuned in
28% -1
Change from 2014

These customers show similar levels of understanding to On standby customers, but are more confident about engaging in the energy market. Tuned in consumers show high levels of trust towards their own energy suppliers. They are likely to read communications in detail. They conduct some comparison activity and are likely to have switched in the last year. However they lag behind are not as active as Switched on consumers when it comes to in comparison, changing tariff and switching activity.

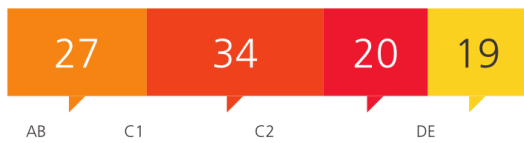
Nation %



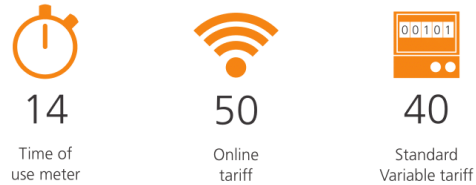
Age %



Social Grade %



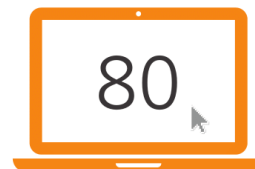
Type of meter / tariff %



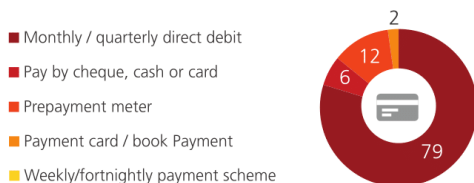
Housing Tenure %



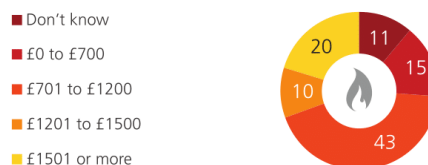
Regular Internet user %



Payment method %



Annual spend on home energy %



TNS BMRB

The 'On standby' consumer



The *On standby* segment is the largest grouping, with 36% of consumers scoring between 10 and 20 points. The size of this segment has decreased slightly from 38% in 2014.

How they are engaged

Very few *On Standby* consumers have switched supplier (5%), changed tariff (2%) or compared tariffs with their own supplier (4%) or other suppliers (3%)²³. These results are consistent with 2014. Only a small minority have complained to their supplier (3%) or contacted them for another reason (8%), again consistent since 2014.

The majority (87%) are aware of all consumer actions, a large increase since 2014 (76%). *On standby* consumers are much more likely than the *Unplugged* group to recall their supplier communications (for example, 63% recall their annual summary, compared to 29% of the *Unplugged*). Of those who recall, the majority do glance at or read the communication (in line with consumers overall).

Social and demographic characteristics

This group are also broadly representative of the population as a whole by age, social grade and tenure, and have remained stable since 2014. Those in this group are slightly more likely to be retired (33%, 31% all consumers).

Seven in ten (70%) use the internet every day and, 62% own their own home, consistent with all consumers and results from 2014. Sixty-eight report that they pay for their energy by direct debit. Since 2014 this group has become slightly more likely report that they are on a Standard Variable Tariff (68%, 65% in 2014) and less likely to be on a Fixed Term Tariff (31%, 34% in 2014).

Attitudes

On standby consumers are less positive than the more engaged segments but slightly more positive than those of the *Unplugged* group, and are mostly in line with the attitudes of all consumers (although as the largest segment this is unsurprising). For example, three in five (60%, 56% all consumers) agree that 'everything seems to be getting more complicated these days,' and 30% (29% all consumers) report that 'financially things are a bit of a struggle for me'. Around three in ten (29%, 27% all consumers) says they often 'make a decision on impulse' and 83% (82% all consumers) agree that they 'always check bank or building society statements' when they arrive.

²³ In 2014 these questions were only asked if a respondent had *not* switched supplier or changed tariff in the last year. The 2016 results presented here have been rebased to allow for comparison (please see section 3.3.1 for more detail).

Figure 2.5 On standby segment characteristics

Ofgem retail market review – 2016 survey
Segment characteristics





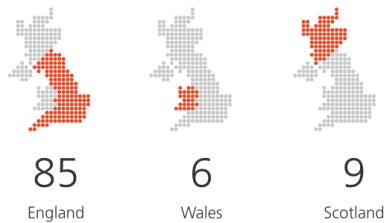
On standby

36%

-2
Change from 2014

These customers show higher levels of understanding awareness than Unplugged customers, but this does not translate into regular engagement with the energy market. Very few have compared, changed, or switched in the last 12 months. They also do not differentiate between suppliers and are likely to have switched only once or twice, two-five years ago. On standby consumers show high levels of trust towards their own energy suppliers.

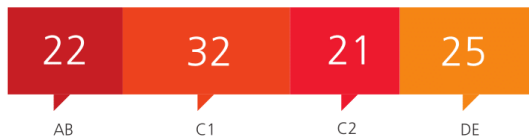
Nation %



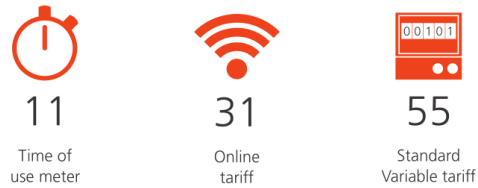
Age %



Social Grade %



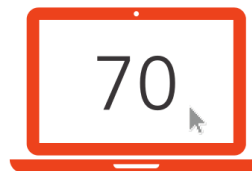
Type of meter / tariff %



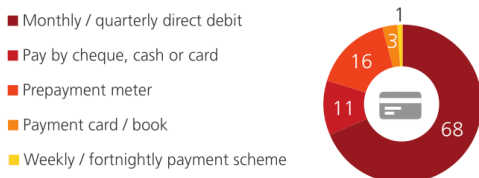
Housing Tenure %



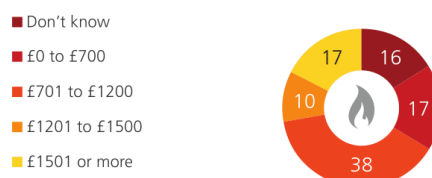
Regular Internet user %



Payment method %



Annual spend on home energy %



TNS BMRB

The 'Unplugged' consumer



The *Unplugged* segment has consistently made up around a fifth of consumers - 21% of consumers scored 10 or fewer points on the index in 2016, a slight increase from 19% in 2014.

How they are engaged

Only a handful of *Unplugged* consumers have compared tariffs, changed tariffs or changed suppliers. Similarly, less than 1% of this group had complained to their supplier, and only 5% had contacted their supplier for another reason. Half of this group (50%) are aware of all consumer actions, a notable increase since 2014 (38%). Although *Unplugged* consumers are now slightly more likely to recall receiving their annual summary (29%, compared with 27% in 2014) they are less likely to have read their supplier communications than in 2014 (for example, the proportion who neither read nor glanced at their annual summary rose substantially from 42% in 2014 to 54% in 2016)²⁴.

Social and demographic characteristics

Unplugged consumers are still the most disadvantaged group (35% are in social grades DE, 24% all consumers) but this characteristic has become less pronounced than in 2014 when it was 40% compared to 24% of all consumers.

This group is now more likely than previously to contain young consumers under 35 (25%, 20% all consumers) who tend to come from more mixed social grades. Correlated with this, *Unplugged* consumers are also more likely to be single (24%), and less likely to be married (42%) compared to the average (18% and 50% respectively). Sixteen percent of this group do not speak English as their first or main language, higher than the 8% of all consumers.

One in five (20%) *Unplugged* consumers live in London, compared to 11% overall. They are also more likely to live in social housing (28%, 16% all consumers) or private rented accommodation (27%, 21% all consumers). Tenure could in part explain their lower engagement if the property is private rented and the tenant has less control over the energy supplier or long term incentive to switch.

The *Unplugged* group also appear to be disengaged outside the energy market. They are more likely to be unemployed or not seeking employment (14%, 10% all consumers). Less than two thirds (63%) are daily internet users, the lowest proportion across the segments.

Unplugged consumers are the least likely to report that they pay for their energy use by direct debit (52%), whilst three in ten (29%) report that they are on a prepayment meter - the highest proportion across the four segments - consistent with results from 2014. Of this segment group, 84% have a single gas and electricity supplier.

Attitudes

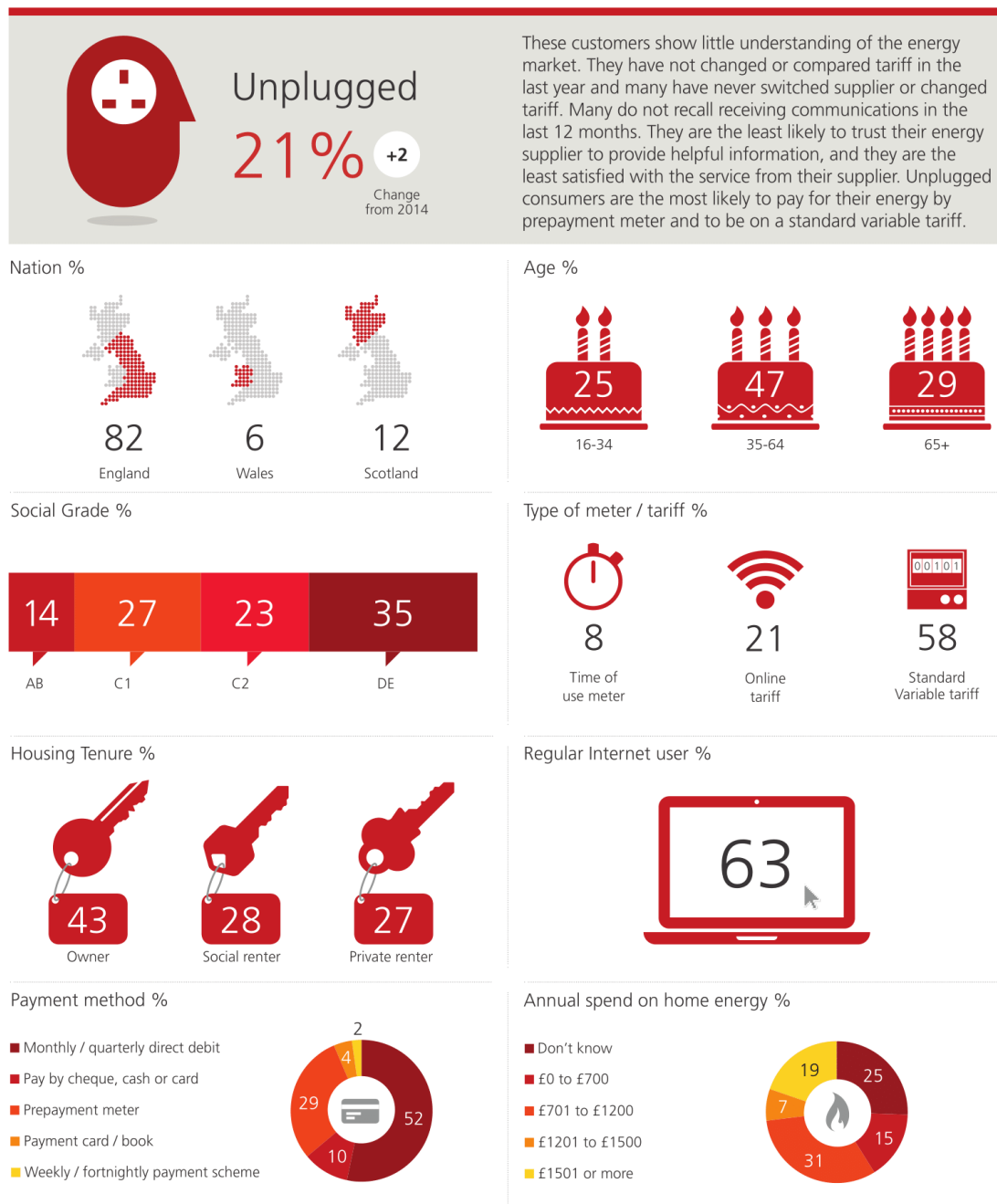
Unplugged consumers are the most likely to agree that 'financially things are a bit of a struggle for me' (36%, 29% all consumers). They are also more likely to agree that they 'make decisions on impulse,' (32%, 27% all consumers) and that 'everything seems to be getting more complicated these days,' (61%, 56% all consumers) perhaps reflecting the higher incidence of older and younger consumers in this group. As well as these general consumer

²⁴ Only those who recall receiving a communication are asked whether they read in detail or glanced at it

attitudes, those in this group also have negative perceptions of the energy sector, such as thinking that switching will be a hassle (55%, 46% all consumers). For more detail, please see section 5.3.2.

Figure 2.6 Unplugged segment characteristics

Ofgem retail market review – 2016 survey
Segment characteristics



2.1 *Unplugged* segment breakdown

Although we have identified and segmented groups of consumers based on their engagement with the energy market and found some typical social and demographic characteristics in each group, the *Unplugged* segment were the least homogenous. We therefore looked for underlying patterns *within* the segment to try to understand if there are distinct groups for whom encouraging engagement may be easier or who may necessitate a different approach.

We found two clusters of younger (under 35) and then older (65+) consumers with distinct attitudes and behaviours. Consistently, results of those in the middle age bracket fall between the younger and older groups, so we have focused our analysis on the latter two groups.

The older *Unplugged* consumers are more likely to be in socio-economic grade DE (42%) than any other category. A large proportion of the younger *Unplugged* are also in the DE category (31%), but overall they are more likely to be C1 or C2 consumers (35% and 22%). This further suggests that the *Unplugged* group overall is comprised of diverse groups of people, who are all disengaged from the energy market but for different reasons.

Younger *Unplugged* consumers are more likely to be aware of the key consumer engagement actions²⁵ (55% vs 43% of older *Unplugged* consumers) and are more likely to recall and engage with communications from their supplier (for example, 31% of the older group recall their annual summary, compared to 25% of the younger group). Younger *Unplugged* consumers are also more likely to be on a prepayment meter (46% vs 12%) and a standard variable tariff (62% vs 52%) than the older *Unplugged*.

Of all the consumers segments, the *Unplugged* has the highest average saving amount they say they would need to make to be motivated to switch (£325, £283 all consumers). They are also the most likely to say that "it's not all about the money" (21%, 17% all consumers). However, there is a large difference between the older and the younger *Unplugged* consumers. Older *Unplugged* would have to make an average annual saving of £273, whereas the younger would have to save £381 to be motivated to switch supplier. The older *Unplugged* are more likely to say it is not about the money though – 35% compared to 12% amongst the younger *Unplugged*.

The younger *Unplugged* consumers tend to have a more positive view of engagement in the energy market. They are more likely to think that they have the right amount of choice (49% vs 40%), that it is easy to compare (42% vs 17%) and that they are familiar with what energy suppliers offer (29% vs 18%) than the older *Unplugged* group. They are also more likely to agree that 'changing tariff is a good way to save money' (42% vs 29%) and to consider tariff price to be important when choosing a tariff or supplier (78% vs 46%).

It appears that the younger *Unplugged* are reasonably willing to engage but there is a barrier to them doing so. This could be disinterest, high (potentially unachievable, at least in terms of perceptions) expectations of savings needed, or living in more transient circumstances (they are more likely to live in rented accommodation and move - 25% have moved house in the last year, compared to only 2% of the older group).

The older *Unplugged* consumers are more likely to think they have too much choice (20% vs 12%), that they can't switch (23% vs 16%) or worry that something might go wrong if they

²⁵ The following options are presented: Change their payment method with their current supplier, Change their tariff with their current supplier, Switch to a different supplier.

switched (46% vs 38%). They are also more likely to think that it's too difficult to work out whether saving would save them money (52% vs 39%), perhaps because they are less likely to have access to online comparison tools.

Interestingly, the older *Unplugged* consumers are more confident that they are on the best deal for them (45% vs 31%). For this group, it seems that they are truly disengaged from the sector, in that they lack both the means and the motivation to be engaged.

3. How is consumer engagement activity changing?

In this chapter we explore the changes seen in consumer behaviour between 2014 and 2016 across two topics: i) levels of awareness and activity in the energy market; ii) communication and information.

Key findings:

- A majority (80%) of consumers are aware of all of their options in the energy market, from switching supplier to changing tariff and changing their payment method. This has increased since 2014 (75%).
- While there has been an improvement in awareness of consumer actions within the *Unplugged* group (50%, 38% in 2014), they are no more likely to act on their choices than previous years.²⁶
- Those most likely to be engaged in the energy market are positive about the ease of comparing tariffs, but it is not clear if this perception is a key factor in them being engaged or is a result of that engagement.
- Levels of switching supplier, changing tariff with an existing supplier, and comparing tariffs in the last 12 months remain fairly stable. Around two in five (37%) consumers have been active in a least one of these ways in the last 12 months, a proportion that has increased since 2014 (when 34% of consumers were 'active').
- Although levels of switching supplier and changing tariff remain stable, there is an indication that 'quality' of the switch/change is improving. The majority of consumers who switch supplier or change tariff do so to save money, and they are increasingly likely to be confident of fulfilling their aim (86%, 77% in 2014).
- Price comparison websites are popular tools for both finding energy deals (51%) and switching supplier (47%), both used substantially more than in 2014 (39% and 44% respectively).
- A minority of consumers (9%) had complained to their supplier in the last 12 months. However, 41% of consumers who complained to their supplier were very dissatisfied with the complaints process, a sharp increase since 2014 (30%).

²⁶ The more engaged segments are also more likely to be aware of all actions than previous years, but to a lesser extent than the *Unplugged* (for example *Switched on* increased from 89% to 95%).

- A majority of consumers (82%) recalled receiving one or more communication from their energy supplier in the previous 12 months, in line with the 2014 survey. Of these consumers, the vast majority most (80%-90%, depending on the type of communication) read it in detail or at least glanced at it. At least three quarters (75%+) of those who engage with each communication finds them clear, a result that has improved by 3-4% since 2014.
- There has been a large increase in those who 'thought about switching' after receiving a communication such as a bill (13%, compared with 5% in 2014), but otherwise there is limited evidence that communication remedies are driving improvements in consumer engagement.
- Results suggest that specific RMR remedies - Cheapest Tariff Messaging (savings messages), Tariff Comparison Rates (TCRs) and Personal Projections (PPs) - are not widely effective in encouraging many consumers to get a better deal. This is in part due to low recall, but of those that do recall, only a minority (less than four in ten) are then prompted to take action.
- Consumers are more likely to recall savings messages and PPs (both 34%) than TCRs (20%), but TCRs are more likely to prompt action such as checking own tariff (39%). Levels of recall for PPs and TCRs have risen since 2014 (when they were 31% and 18% respectively), but have remained stable for savings messages.

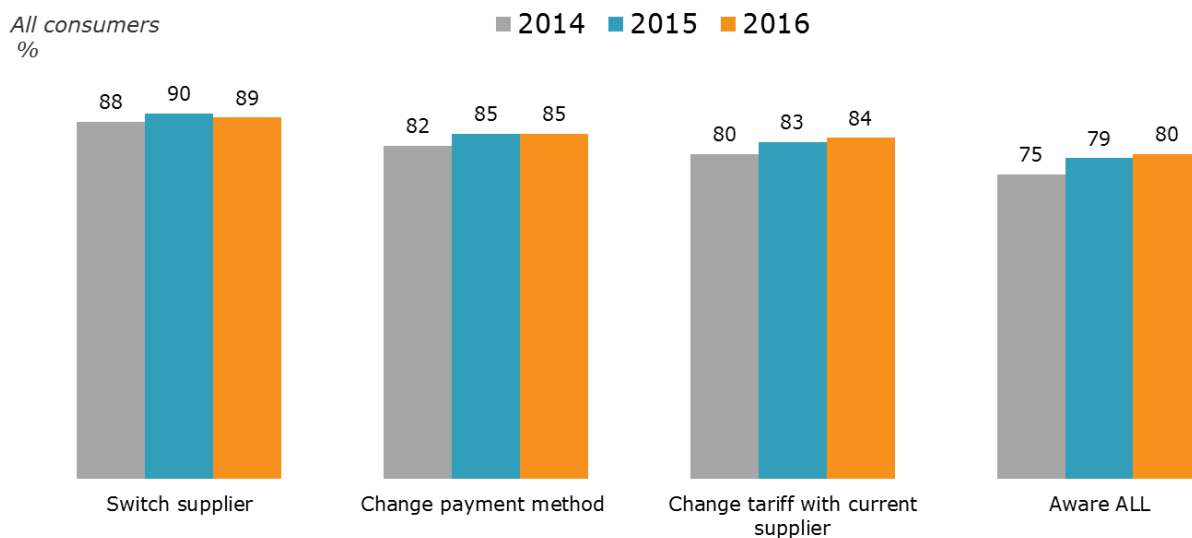
Activity in the energy market

3.1 Awareness of consumer actions

Overall consumers are more likely than in 2014 to be aware of three key ways they can engage with energy suppliers. Consumers were asked if they were aware they can switch supplier, change payment method, and change tariff with their existing supplier, with eight out of ten (80%) aware of all three, an increase from 75% in 2014 (Figure 3.1). On the individual actions, results have improved for changing payment method and changing tariff, but not switching supplier:

- 89% of consumers know they can switch to a different supplier (88% in 2014);
- 85% are aware that they can change their payment method (82% in 2014); and
- 84% know that they can change tariff with an existing supplier (80% in 2014).

Figure 3.1 Consumer awareness of possible engagement activities



Q.14 Which of the following do you think it is possible for energy consumers to do?

Base: All who have gas and/or electricity supply and are responsible for it (2014: 6151, 2015: 5934, 2016: 5956)

3.2 Consumer activity

While still a minority, the proportion of consumers who are 'active' in the energy market has increased since 2014 – up from 34% in 2014 to 37% in 2016. Active consumers are termed as those who have compared tariffs, changed their tariff with their existing supplier or switched suppliers. As the rest of this chapter will explore, this is a result of small increases across all of these actions.

3.3 Comparing energy suppliers or tariffs

Consumers can engage with the energy market by comparing tariffs offered by their own or another supplier. To encourage this, comparison tools, such as Cheapest Tariff Messaging, Tariff Information Labels, the Tariff Comparison Rate and Personal Projections²⁷, were

²⁷ Some of these specific remedies are explored in more detail later in the report.

introduced and became mandatory in April 2014 (just after the 2014 survey), although some suppliers had introduced Cheapest Tariff Messaging prior to this.

3.3.1 Comparing tariffs without changing tariff or switching supplier

In the 2014 survey, we asked consumers who had not changed tariff or switched supplier whether they had compared tariffs with their own or another supplier. Both then, and in 2016, it is a minority of consumers that has done so.

The proportion that has compared tariffs within their own supplier (but not changed tariff) has increased slightly since 2014 (17%, 15% in 2014) while the proportion comparing tariffs with those from another supplier has remained stable (18%, 17% in 2014).

Consumers who are currently a customer of a small or medium energy supplier are also more likely to have compared with another supplier (25%, 16% of those with one of the six large suppliers), although the survey does not record if this comparison activity was in relation to their current or a previous supplier.

3.3.2 Whether consumers compare when they switch or change tariff

In the 2015 survey, the routing at the four comparison activity questions²⁸ was opened up to include all consumers.²⁹ This enabled analysis to be conducted on comparison activity and switching activity, although the survey does not record if the comparison and switching activity were linked.

A sizeable minority of consumers say they switched supplier or tariff but did not compare tariffs:

- More than a third of consumers who have switched supplier or changed tariff in the past 12 months did so without comparing tariffs with those offered by existing or external suppliers.
- Almost three in ten (28%) of all consumers have switched supplier or changed tariff in the past 12 months: 19% changed tariff or supplier and also compared, with 9% changing tariff or supplier without comparing.

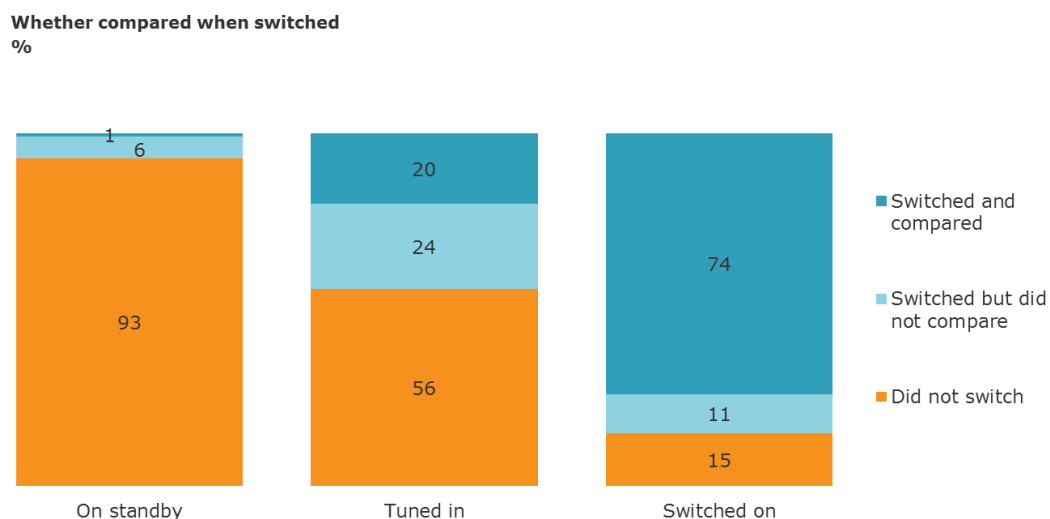
This indicates that even amongst these more 'active' consumers – who are switching suppliers or changing tariffs – there are those who are less aware and engaged than others. It also raises the possibility that some consumers may be changing tariff or switching supplier without full information about the choice they are making.

²⁸ Questions 41, 42, 43 and 44 – a full copy of the questionnaire is included in the accompanying technical report.

²⁹ Previously these questions had only been asked if a respondent had *not* switched supplier or changed tariff in the last year. As a result, we are now able to identify those consumers who switched supplier or changed tariff with their existing supplier within the last 12 months but did not also compare their tariff with those from their existing supplier or other suppliers. It should be noted that the survey does not have the space to collect full chronological details of comparing, tariff changing and switching activities. Our analysis assumes, for example, that if a consumer reports having compared gas tariffs and switched gas supplier in the last 12 months then these were related activities.

There appears to be a relationship between engagement and switching tariff or supplier without comparing, with those more engaged in the energy market more likely to switch and compare.³⁰ Eighty-five percent of those in the *Switched on* segment had switched in the last 12 months of which 74% had conducted comparison activity and 11% not. For the *Tuned in* group, 44% switched overall - 20% switched and also compared, 24% did not compare. Of the minority (7%) of *On Standby* consumers who had switched, most (6%) did so without comparing. This suggests that when even when less engaged consumers take action in the energy market, they may do so without being fully engaged and aware.

Figure 3.2 Switching and comparison activity



Q.19 In the last 12 months, have you switched your gas supplier? Q.18 In the last 12 months, have you switched your electricity supplier? Q.41 In the last 12 months, did you compare the gas tariff you were on with those offered by other suppliers? Q.43 In the last 12 months, did you compare the gas tariff you were on with any others available with your existing supplier? Q.42 In the last 12 months, did you compare the electricity tariff you were on with those offered by other suppliers? Q.44 In the last 12 months, did you compare the electricity tariff you were on with any others available with your existing supplier?
Base: All in the *Switched on*, *Tuned in* and *On standby* segments (4623)

³⁰ Only a handful of *unplugged* consumers have switched, and so cannot be included in this analysis.

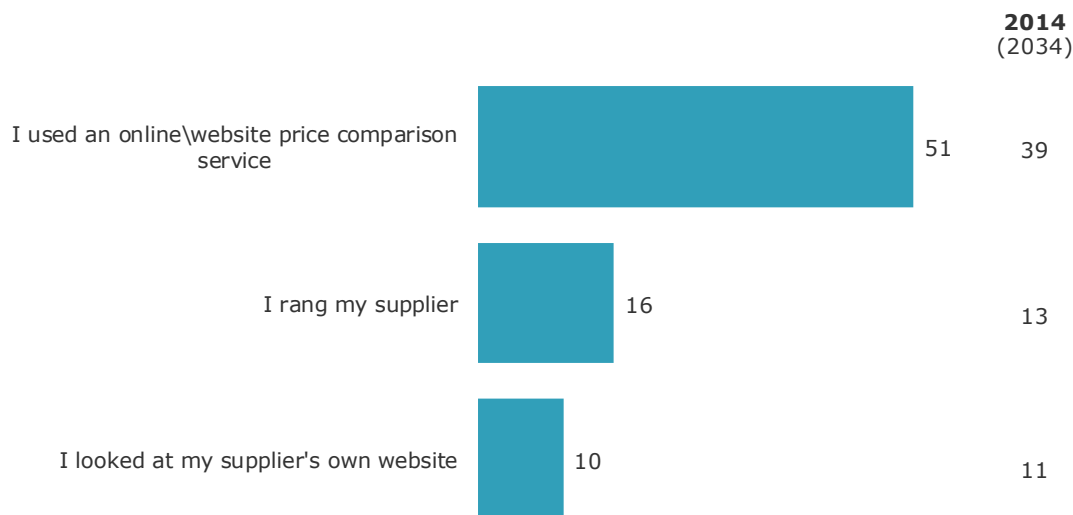
3.3.3 How consumers find deals

Online price comparison services are the most common method of finding out about deals offered. Half (51%) of all consumers active in the last 12 months³¹ used this method, a notable increase since 2014 (39%). Price comparison websites were already a popular method for making an actual switch between suppliers, but are now used as commonly to find out about deals.

The next most common method of finding information about the deals on offer was telephoning the existing supplier (16%, up from 13% in 2014). Supplier websites have remained a consistent source of information, used by 10% of active consumers (11% in 2014). Other sources of information about deals were scarcely used, none being cited by more than 5% of active consumers.

Figure 3.3 Where consumers found out about deals – last 12 months

How found out about the deals offered when last compared or switched (Top 3)
%



There are a range of other methods that are much less common, at 5% or lower.

Q.165 And when you compared and / or switched gas / electricity supplier or tariff, how did you find out about the deals offered?

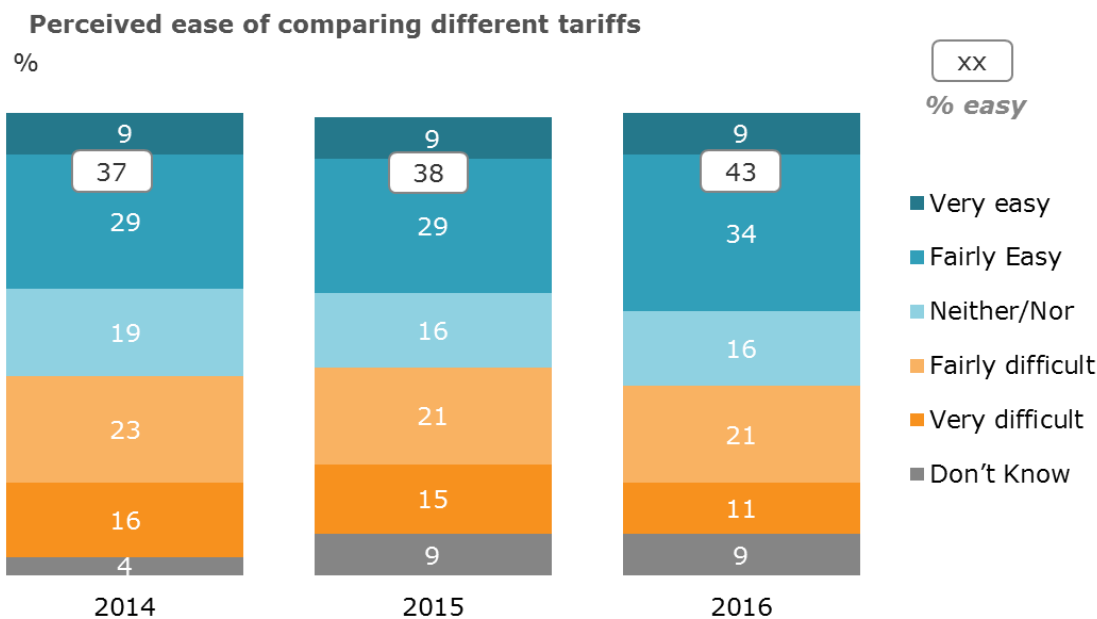
Base: All who switched supplier, changed tariff or compared in past 12 months 2014:2034, 2016:2112

³¹ 37% of consumers are 'active', meaning they have switched supplier, changed tariff or compared tariff / supplier.

3.3.4 Ease of tariff comparison

Overall, consumers are finding it easier to compare tariffs in 2016 (43%) than in the 2014 survey (37%). This is driven by an increase in the proportion who find it 'fairly easy,' with the proportion finding it 'very easy' remaining stable at 9%. The proportion who say comparing tariffs is 'very difficult' has fallen. However, perceptions around the ease of comparing tariffs remain polarised, with 32% still saying that it is difficult, although this has fallen since the 2014 baseline survey (39%). (Figure 3.4). Perhaps also of concern is the 9% who say they do not know.

Figure 3.4 Perceived ease of comparing tariffs



Q.145 How easy do you believe it is to compare different tariffs for electricity or gas?
Base: All consumers (2014:6151, 2015:5934, 2016:5956)

Of those who believe it is 'very easy' or 'fairly easy' to compare tariffs, 'more information available on the Internet from price comparison websites' was cited as the main reason (69%). This was followed by 'more information available on the Internet from suppliers' (26%) and 'the information from suppliers is clearer these days' (18%).

For consumers who thought it is 'fairly difficult' or 'very difficult' to compare tariffs, consumers said that 'the information about tariffs from suppliers is too complicated' (36%), 'there are too many tariffs to choose from' (31%) and 'the tariffs are all structured differently' (30%).

3.3.5 Perceived change in ease of tariff comparison

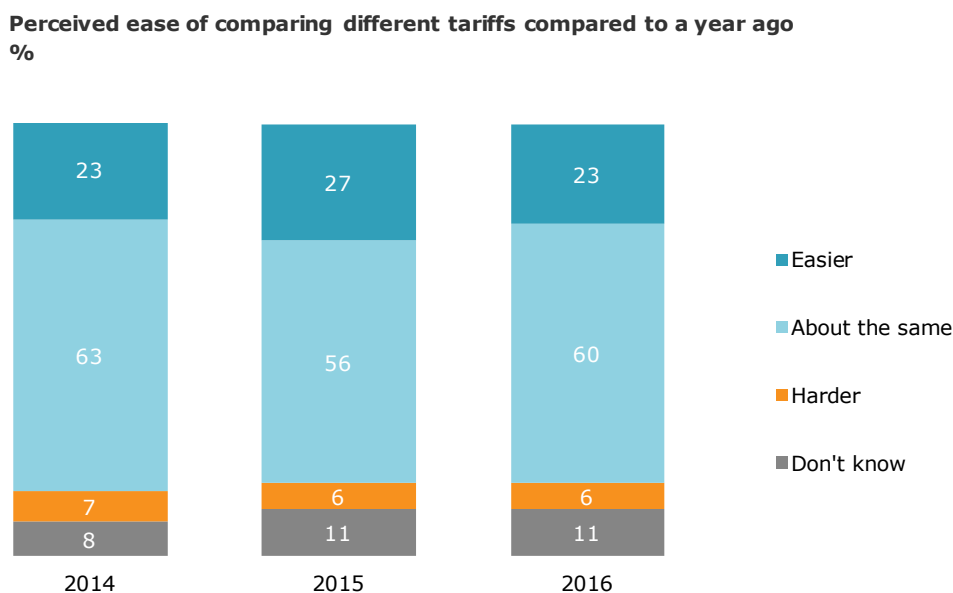
An important indicator of the impact of the RMR measures is to establish whether 'active' consumers (who had conducted any comparison, tariff changing or switching activity in the last 12 months) think it is easier or harder to compare tariffs than a year ago.

Results suggest that for a majority of active consumers (60%) there has been no change in the ease of comparing tariffs. Between 2014 and 2015 the proportion that believed it had become easier increased from 23% to 27%, but then fell back to 23% in 2016. The proportion

who perceived comparing to be harder has remained stable (6%, 7% in 2014), whilst the proportion who felt it has stayed the same fell (63% to 60%). This suggests that comparisons became easier between 2014 and 2015, and then stabilised between 2015 and 2016. The proportion that believe it is harder to compare tariffs has remained stable at 6% (7% in 2014), and three in five think the ease has remained the same, suggesting that while there hasn't been continued improvement perceptions have not worsened.

Those who rent in social housing (32%), rent privately (27%) and those who are under 35 (27%) are more likely to say they 'find it easier to compare tariffs than a year ago'.

Figure 3.5 Consumer perceptions of whether it is easier or harder to compare tariffs than a year ago



Q.74 And would you say it is easier or harder to compare energy tariffs than a year ago?
Base: All who have either switched supplier, changed tariff with existing supplier, compared tariff with other suppliers or compared tariff with existing supplier in the last 12 months (2014:1953, 2015:2034, 2016:2112)

Clearer information and improved availability of information appear to be the biggest reasons why consumers feel it is easier to compare tariffs than a year ago (as shown in Table 3.1 below).

Among the 23% of consumers who agreed that it was easier to compare tariffs now than a year ago, a quarter (25%) cited online information, 18% mentioned more websites, 8% mentioned clearer and more transparent information and 14% cited more information available. These were also the reasons most identified in 2014.

Online information was more readily cited by those aged under 65, websites were mostly mentioned by the youngest age bracket, while those over 65 were more likely to mention news coverage.

Table 3.1 Reasons why consumers believe it is getting easier to compare tariffs

Reasons		
	<i>Percentage</i>	
	2014	2016
Internet/online information	26	25
More websites	21	18
Clearer/more transparent information	11	8
More information available	10	14
Standardised/reduced amount of tariffs	9	3
News/media advertising/coverage/publicity	6	3
Government/legislation/Ofgem involvement	5	3
Suppliers have been made to make things easier	4	2
<i>Unweighted base (consumers who believe it is getting easier to compare tariffs)</i>	<i>451</i>	<i>484</i>
<i>Multicoded response</i>		

These results echo those from the similar question asked of all consumers - "How easy or difficult do you believe it is to compare different tariffs for electricity or gas?" – for which information online, including through price comparison websites, and clarity of information were most often cited by those who feel it is easy to compare (see 3.3.4).

Among the minority of consumers (6%) who stated that it is harder to compare tariffs now than a year ago, a quarter (25%) said that it was too complicated and difficult to understand (Table 3.2). Similarly, 20% said there was too much choice or competition in the market, 11% said there are too many tariffs available and 8% cited too much information as a reason it become harder to compare tariffs³². These were also the main reasons selected in 2014.

Table 3.2 Reasons why consumers believe it is getting more difficult to compare tariffs

Reasons		
	<i>Percentage</i>	
	2014	2016
Too complicated/difficult to understand	32	25
Too much choice/competition	23	20
Too much information	9	8
Impossible to compare	9	3
Too many tariffs	5	11
No internet access/ability/knowledge	n/a	4
Too many/constant changes to charges/tariffs/information	n/a	3
Not enough information	n/a	2
Mistrust/dishonest/hiding charges	n/a	2
Not comparing like for like/inconsistency of information	n/a	1
<i>Unweighted base (consumers who believe it is getting more difficult to compare tariffs)</i>	<i>139</i>	<i>140</i>
Multicoded response		

Similarly, when asked "How easy or difficult do you believe it is to compare different tariffs for electricity or gas?", how complicated information is and the amount of choice (too much) were most often cited by those who feel it is difficult to compare.

³² Please note the small base size of 140

3.3.6 Access to information as part of comparison activity

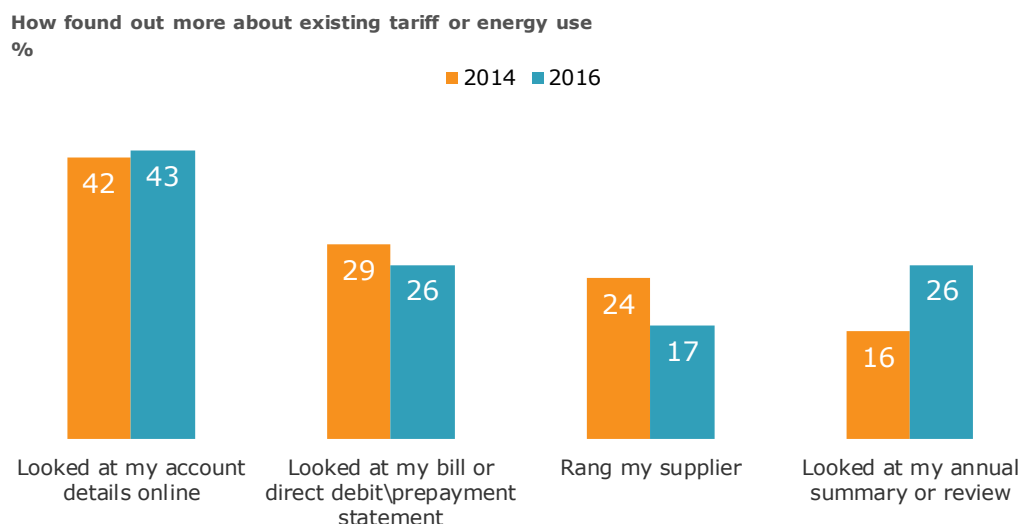
Ofgem wants consumers to find it easier to access and assess information to make well informed comparison and switching decisions. As we have already seen, some consumers do not compare when they switch supplier or tariff. Others compare but do not go any further. For those who do compare, information based tools, such as the Tariff Information Label (TIL), are intended to allow consumers access to key information about their tariff at a glance.³³

A growing majority of consumers look for information on their existing tariff or energy use when comparing. When comparing tariffs or suppliers seven in ten (69%) also looked for more information about their tariff or their existing energy use. There was a large increase in the proportion of consumers who looked for more information in 2015 (67%, compared to 60% in 2014), and it has slightly risen again in 2016.

Where consumers are looking for more information, this is increasingly about their tariff and energy use rather than their tariff only:

- 49% looked for information about both their existing tariff and their energy usage when they last compared tariffs or suppliers, compared with 28% in 2014;
- 13% found out more about their tariff only, compared to 24% in 2014;
- 7% found out about their energy usage only (7% in 2014).

Figure 3.6 Sources of more information about current tariff and energy use



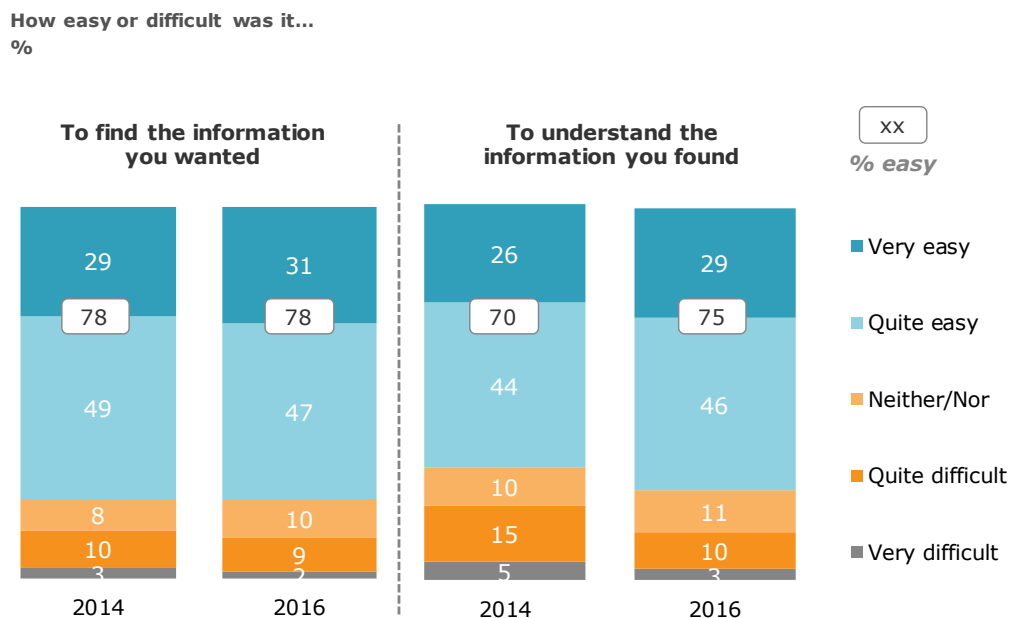
Q.163 And how did you find out more about your existing tariff or energy use?
Base: All who, when switching/comparing tariffs/suppliers in past 12 months, also looked for information about existing gas and/or electricity tariff or energy use (2014: 1153, 2016:1403)

Consumers were most likely to find out more about their existing tariff or energy use via their online account (43%), bills (26%), annual summary (26%) or by ringing their supplier (17%). Compared to 2014 there has been an increase in consumers finding out more information from their annual summaries and a decrease in those finding out more by phoning their supplier.

³³ Whilst some energy suppliers introduced them earlier, TILs were not required on energy supplier communications until after the 2014 survey.

The majority of consumers who looked for more information about their current tariff or their energy usage last time they compared tariffs or suppliers found it easy to find the information they wanted (78%), with three in ten (31%) finding it *very easy*. This has remained stable since 2014. Three quarters (75%) of consumers who looked for more information when they compared tariffs or suppliers, found it easy to understand the information they found. This is up from 70% in 2014, suggesting that more consumers now find it easier to understand information about their tariffs and energy usage.

Figure 3.7 Ease of finding information/understanding information



Q.164 And thinking about the information that you wanted about your existing tariff or energy use. How easy or difficult was it...
BASE: All who switched supplier, changed tariff or compared in past 12 months AND looked for information on their current tariff (2014: 1294, 2016 :1403)

With regards to both the ease of finding information and ease of understanding information, there were few demographic variations. This is perhaps not surprising as this question is by its very nature skewed towards the more engaged consumers as it is asked of those who have switched or compared tariffs or suppliers.

3.4 Switching supplier, tariff or payment method

Consumers are encouraged to change their tariff or payment method, or switch supplier, in order to get a better deal in the energy market.

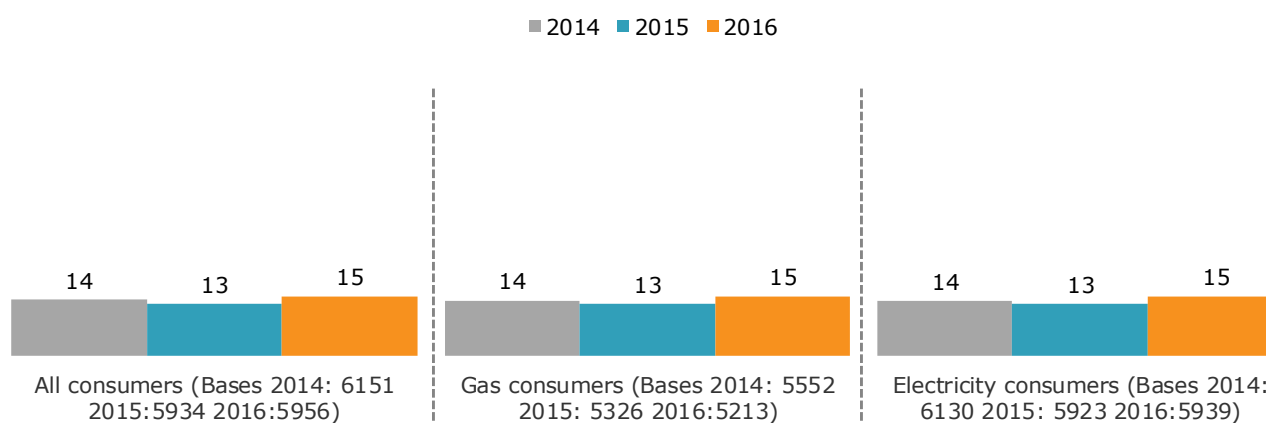
3.4.1 Switching supplier

At 15% the overall proportion of consumers reporting that they have switched, either gas or electricity suppliers in the last 12 months, has remained broadly static since the 2014 baseline study (14%) (see Figure 3.8). There continues to be no variation in the levels of switching gas vs electricity supplier (whether separately or as part of a dual fuel deal).

Figure 3.8 Whether switched supplier in the last 12 months

Whether switched supplier in last 12 months

%



Q.19 In the last 12 months, have you switched your gas supplier? Q.18 In the last 12 months, have you switched your electricity supplier?

Internet access appears to facilitate switching, as the highest rates of switching are amongst those who access the internet everyday (17% in 2016, 16% in 2014). Only 6% of those who do not access the internet had switched in the last 12 months, a slight fall from 8% in the 2014 baseline survey. This suggests that the increased prevalence of online price comparison websites may be widening the engagement gap between those who are digitally included and those who are excluded.

In 2014 switching was more likely among consumers who pay by direct debit only (16%) than those on a prepayment meter (12%). However, in 2016 we see those on a prepayment meter are as likely to have switched (16%) as those who pay by direct debit (16%).

Those who are with a smaller or medium sized supplier are more likely to have switched supplier in the past 12 months than those who are with one of the six large suppliers (43% in 2016, 34% in 2014). Accordingly, in 2016, consumers who are with a smaller or medium sized supplier are almost five times more likely to have switched recently as those with one of the larger companies.

In 2016, consumers who receive both gas and electricity supply who had switched (either a year or longer ago) were asked if they switched both fuels at the same time, and whether it was from a single supplier to another single supplier, or whether it was separate gas and/or electricity switching. The vast majority had switched both fuels at the same time (96% of those who switched in the last 12 months and 93% of those who switched more than 12

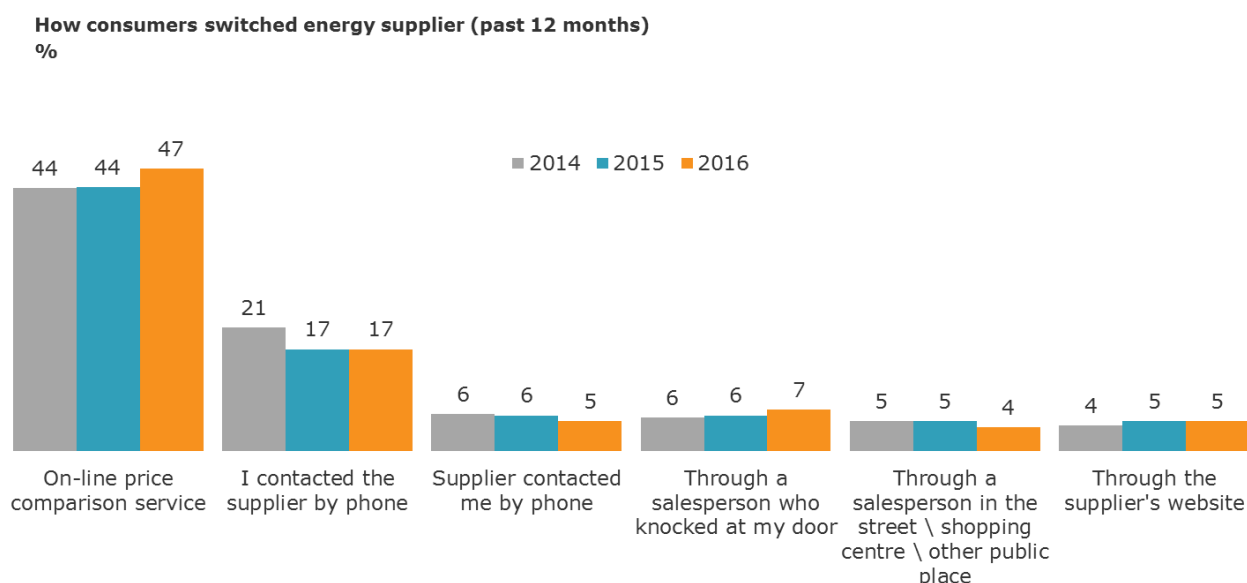
months ago) and most switched from one single supplier for both fuels to another (90% of those who switched in the last 12 months and 82% of those who switched more than 12 months ago). Consumers were asked these questions for the first time in 2015, with almost identical results.

3.4.2 The switching process

Just under half (47%) of those who had switched in the last 12 months used an online price comparison service to do so³⁴ (an increase from 44% in the 2014 survey). Using an online price comparison service is more common amongst those who switch gas and electricity at the same time (38%) than for those who switch gas (27%) or electricity (26%) separately, perhaps a reflection of the services offered to consumers by online comparison websites.

Direct contact from a supplier by phone, or through a salesperson at their home or elsewhere, remain methods of switching for a minority (Figure 3.9). Seventeen percent contacted the supplier by phone, a decrease since 2014 (21%). Those who do not access the internet regularly are more likely to be 'sold to' i.e. they switched via a salesperson at the door, on the phone or in the street.

Figure 3.9 Method of switching when last switched – last 12 months



Q.29 Thinking of the last time you switched gas supplier, how did you switch? Q.34 Thinking of the last time you switched electricity supplier, how did you switch? Q.56 Thinking of the last time you switched energy supplier, how did you switch?

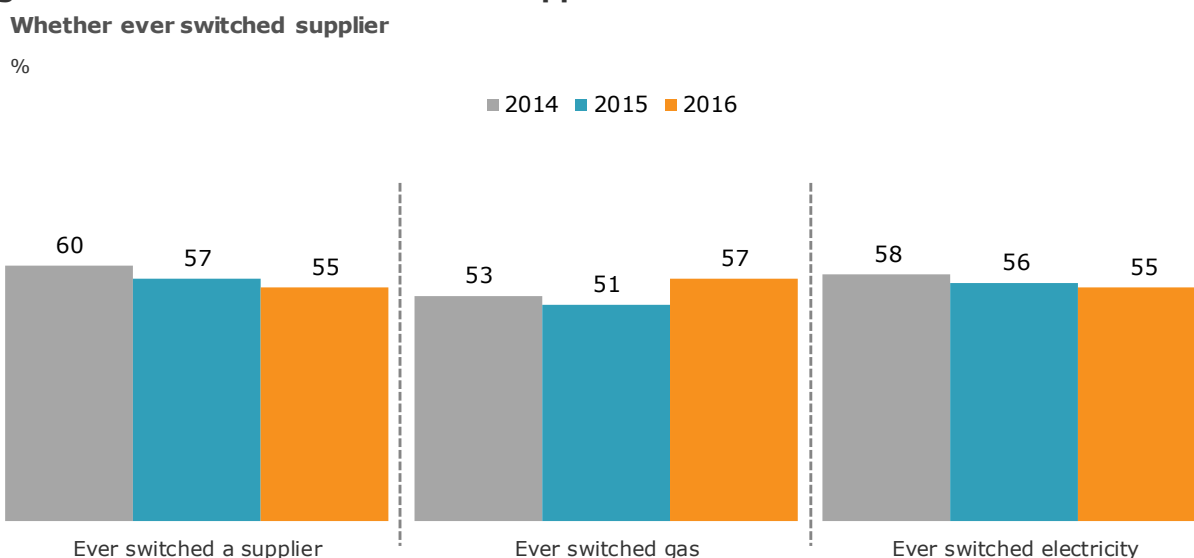
Base: All who switched in the past 12 months (2014:826, 2015:733, 2016:860)

³⁴ Not just to compare tariffs.

3.4.3 Past switching behaviour

We asked consumers³⁵, regardless of whether they only currently had electricity or gas supply, whether they recall ever having switched gas or electricity supplier, when they last did so and how many times they have switched. In total, 55% of consumers had ever switched supplier, a fall compared to the baseline survey in 2014 (60%); there is a corresponding rise in the proportion of consumers who say they have never switched an energy supplier (45%, up from 39% in 2014)³⁶³⁷. (Figure 3.10). As with switching in the last year, consumers paying by direct debit or now on a fixed term tariff are more likely to have ever switched.

Figure 3.10 Whether ever switched supplier



Q.19 In the last 12 months, have you switched your gas supplier? Q.18 In the last 12 months, have you switched your electricity supplier? Q.20 Have you ever switched your gas or electricity supplier
 Base: All consumers (2014:6151, 2015:5934, 2016:5956)

³⁵ Those who had switched gas and electricity in the last 12 months were not asked about switching longer ago, but those who had switched neither, or just one of the two, were asked about their switching behaviour beyond the last year.

³⁶ We would not expect all consumers to be able to accurately recall if they have ever switched supplier, especially if it accompanied moving house. Neither will the proportion ever switched and those who switched in the last year always correlate if we are recording frequent switching among the same group of consumers. From data received from Ofgem, shows that 29% of meter points did not change supplier between 2002 and 2015, down 1 percentage point relative to 2014. The equivalent figure for gas, although covering the period up to May 2016, was 15%, down from 18% in March 2015.

³⁷ The 'never switched' figure is essentially the inverse of the ever switched figure, so it has increased in line with the decrease in the ever switched figure (there is an additional small proportion – 2% - who say they don't know).

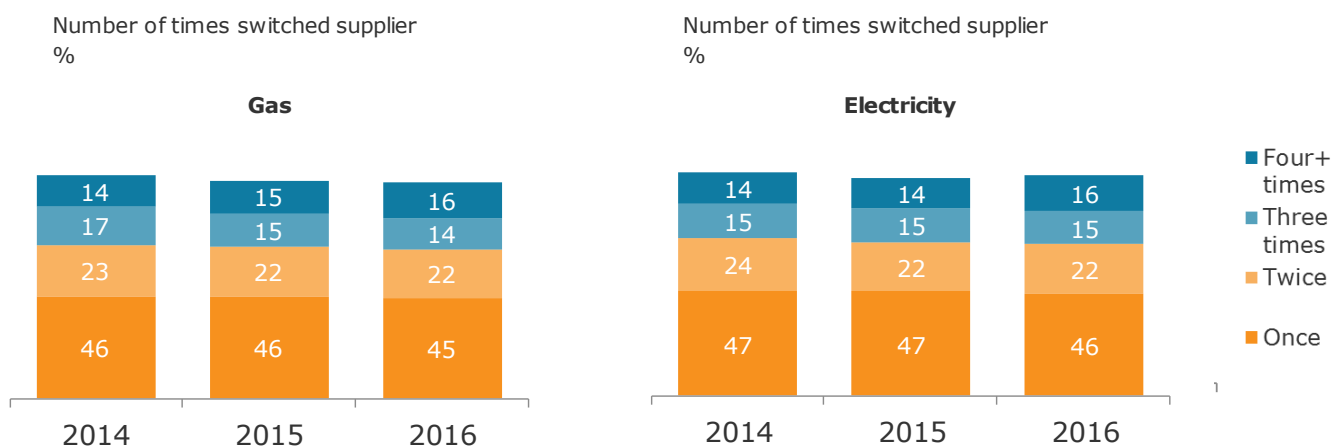
Of those who switched gas or electricity but not in the last 12 months, the majority switched one to five years ago. The results for gas and electricity switches are broadly consistent. Around one in five (18%) last switched supplier between one and two years ago, a slight increase compared to 2014.

Table 3.3 When last switched gas or electricity supplier

When did you last do this (switch gas or electricity supplier)				
	Gas		Electricity	
	2014	2016	2014	2016
Between 1 and 2 years ago	16	18	17	18
Between 2 and 5 years ago	50	45	48	44
Between 5 and 9 years ago	24	23	25	24
10 or more years ago	9	11	10	13
Don't know / refused	1	2	1	2
<i>Unweighted base (all who have switched but not in the last 12 months)</i>	<i>2352</i>	<i>2043</i>	<i>2652</i>	<i>2318</i>

Consistent since 2014 is the proportion of consumers who have ever switched but done so only once (46% electricity, 45% gas) or twice (22% electricity, 23% gas) (see Figure 3.11). A minority (16%) have switched energy supplier four or more times, although this rises to 23% amongst those who switched in the last 12 months. This is a consistent trend with 2014.

Figure 3.11 Number of times switched supplier



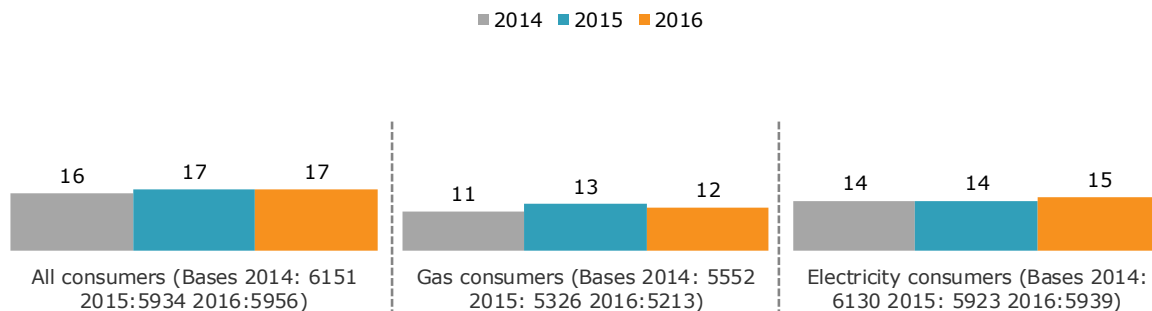
Q21 How many times have you ever switched your gas supplier
 Q22 How many times have you ever switched your electricity supplier
 Base: Gas consumers who have ever switched (2014:3088, 2015:2881, 2016:2758)
 Base: Electricity consumers who have ever switched (2014:3416, 2015:3177, 2016:3121)

3.4.4 Tariff changing

Similar to switching supplier, a consistent minority of consumers has changed tariff with an existing supplier in the last 12 months. Seventeen percent of consumers had changed tariff with their existing supplier in the last year, consistent with the 2014 baseline study (16%). Consumers also continue to be more likely to have changed tariff with their existing electricity supplier than their gas supplier (15% electricity, 12% gas).

Figure 3.12 Whether changed tariff in last 12 months

Whether changed tariff with existing supplier in last 12 months
%



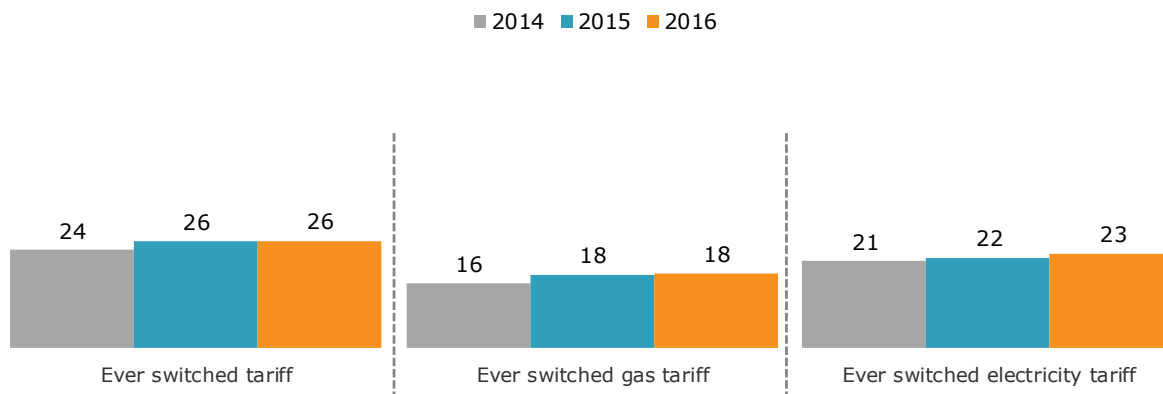
Q.35 In the last 12 months, did [you/you also] change the tariff you were on with your existing gas supplier (without switching supplier)? Q.36 In the last 12 months did [you/you also] change the tariff you were on with your existing electricity supplier (without switching supplier)?

A much lower proportion of consumers recalled ever having changed tariff with an existing supplier (26%) than switched supplier (55%). Twenty-three percent of consumers reported having ever changed electricity tariff and 18% their gas tariff (Figure 3.13).³⁸ Across each of these measures, the result in 2016 is slightly higher (2%) than in 2014.

Figure 3.13 Whether ever changed tariff with existing supplier

Whether ever switched tariff

%



Q.35 In the last 12 months, did [you/you also] change the tariff you were on with your existing gas supplier (without switching supplier)? Q.36 In the last 12 months did [you/you also] change the tariff you were on with Q.39 Have you ever changed your tariff with an existing electricity supplier? Q.37 Have you ever changed your tariff with an existing gas supplier?

Base: All consumers (2014:6151, 2015:5934, 2016:5956)

³⁸ We asked all consumers if they had ever changed their gas tariff even if they had only electricity supply in their current home.

3.4.5 Changing payment method

Changing how they pay for their energy is another way consumers can exercise choice and get themselves a better deal in the energy market. However, only a small proportion of consumers (4%) had done this in the last 12 months, which is in line with the 2014 baseline study. Just under half of these consumers have also switched supplier or changed tariff, leaving 2% of all consumers who, whilst not actively engaging in their tariff changes, have changed their payment method.

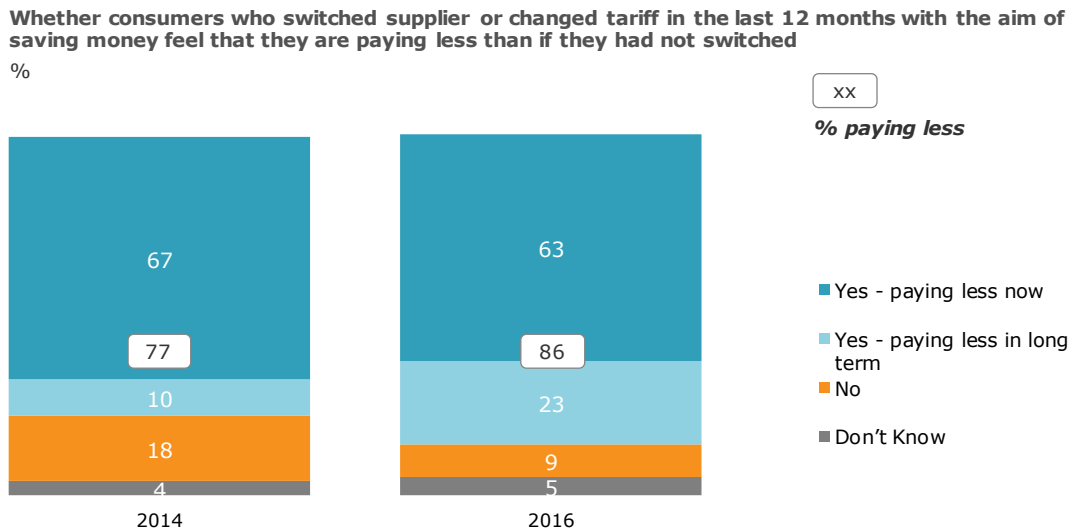
3.4.6 Consumer confidence in their deal

The majority of consumers who switch supplier or change tariff do so as they perceive it as an opportunity to save money, and results show that they increasingly perceive themselves as likely to be doing so. Eighty-six percent of those who switched supplier or compared tariff believe they are saving money now or in the future, compared to 77% of those in 2014.

Within those who are positive, just under two thirds (63%) feel that they are already paying less for their energy and 23% believe they will save money in the long term. In the 2014 baseline survey 67% of those who switched supplier or changed tariff felt they were already paying less, but only 10% expected to save money in the future. The one note of caution here is that the proportion who say they are saving now has fallen (63%, 67% in 2014), so the overall positivity is driven by those who expect to, but ultimately might not, save money.

However, the proportion of consumers who do not believe they are saving money after all, either now or in the future has dropped from 18% to 9%.

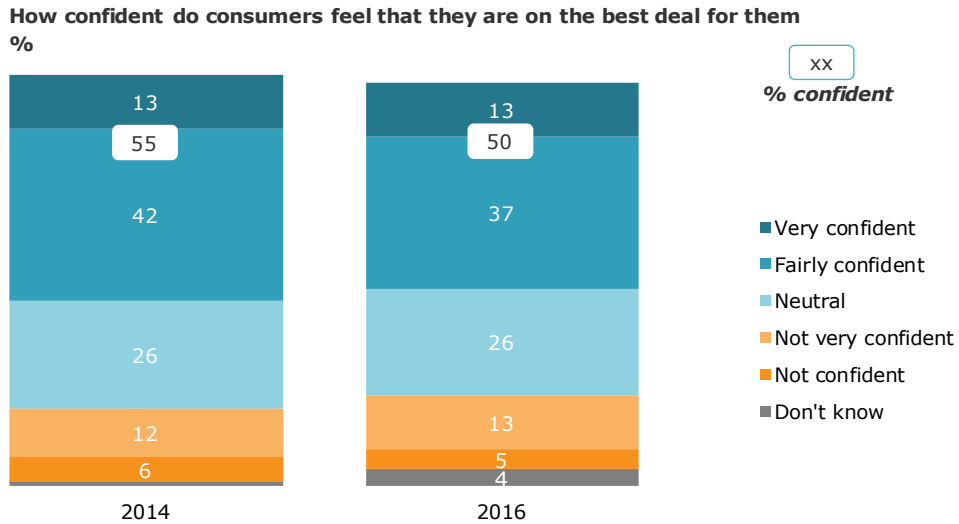
Figure 3.14 Whether consumers feel they are paying less after switching supplier or changing tariff



Q.166 To the best of your knowledge, do you feel that you are now paying less than you would have if you had not switched your gas/ electricity tariff or supplier?
 BASE: All who switched supplier or tariff with the aim of saving money (2014:1352, 2016:1424)

Although those who have switched are more likely to feel they are or will be paying less for their energy, the overall level of consumer confidence in their current deal has fallen. In the 2014 baseline survey, 55% were confident they were on the best deal for them; in 2016 this has fallen to 50%. There has been a slight increase in the proportion who are unsure whether they are on the best deal for them (4%, 1% in 2014).

Figure 3.15 Consumer confidence that they are on the best deal for them



Q.123 Thinking of the factors that matter most to you, how confident are you that you are currently on the best gas deal for you? Q.124 Thinking of the factors that matter most to you, how confident are you that you are currently on the best electricity deal for you? Q.125 Thinking of the factors that matter most to you, how confident are you that you are currently on the best energy deal for you?
Base: All consumers (2014:6151, 2016:5956)

Communication and information

3.5 Contacting suppliers

Consumers were asked about whether they had contact with any energy suppliers in the last 12 months, excluding to make a complaint or give a routine meter reading. Consumers are unlikely to have had any contact with suppliers in the last 12 months. Only 14% had had any contact, a slight decrease since 2014 (16%). This mostly consists of consumers contacting their current or previous supplier. Only 4% of consumers were contacted by their own supplier, and 2% by another supplier. This has remained stable since the 2014 survey (see Table 3.4).

Table 3.4 Consumer interactions with suppliers (excluding meter reading and complaints)

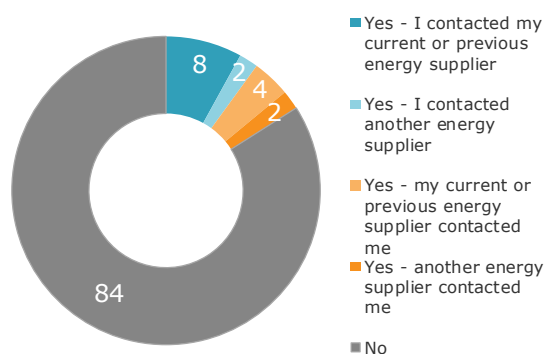
Excluding complaints and giving routine meter readings, have you had any interaction with your own or another energy supplier in the last 12 months?			
	Percentage		
	2014	2015	2016
Yes – I contacted my current or previous energy supplier	11	9	8
Yes – I contacted another energy supplier	3	2	2
Yes – My current or previous energy supplier contacted me	3	4	4
Yes – Another energy supplier contacted me	1	2	2
No	84	83	84

A majority of those who contact a supplier are satisfied with the experience. Three quarters (76%) of consumers who contacted their supplier for something other than a complaint are satisfied with how the energy supplier dealt with them, consistent with 2014.

Figure 3.16 Satisfaction with contact with suppliers

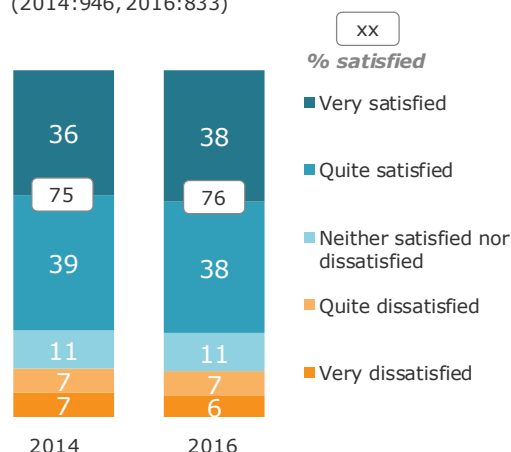
Whether had any interaction with supplier in last 12 months (excluding complaints and routine meter readings)

% All consumers (5956)



Satisfaction with how supplier dealt with them

% All who contacted supplier, excluding complaints/meter readings (2014:946, 2016:833)



Q.82 Excluding complaints and giving routine meter readings, have you had any interaction with your own or another energy supplier in the last 12 months?/Q.84 How satisfied or dissatisfied were you with the way the supplier dealt with you?

3.6 Complaints

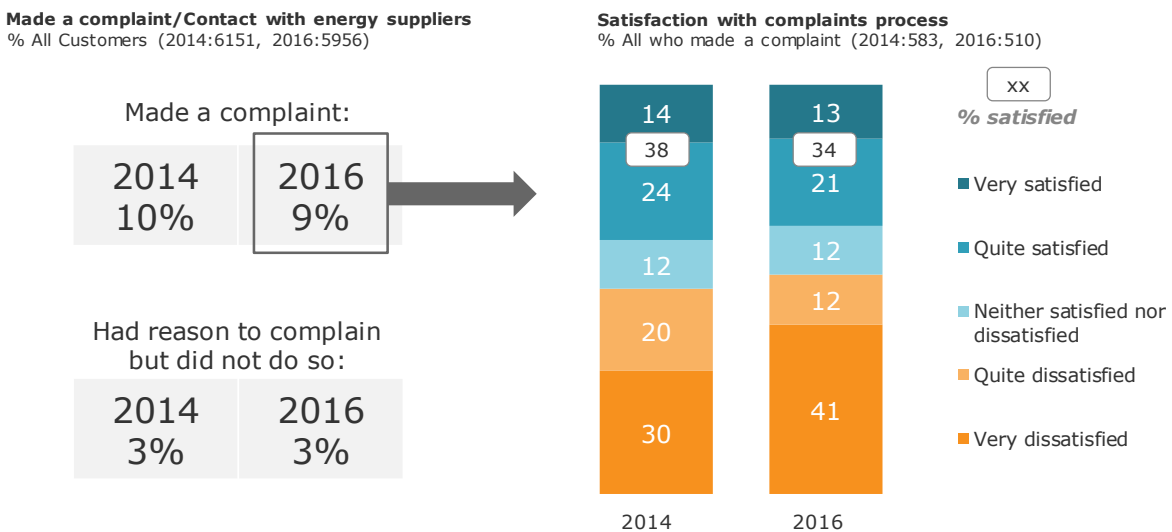
Only a small proportion of consumers report making a complaint to energy suppliers, with 9% making a complaint to their energy supplier in the last 12 months, consistent with the 2014 baseline survey results (10%). Older consumers (65 years or over) were less likely to have complained (6%), compared to under 35s (12%) but as in 2014, there were no notable differences by social grade.

Those who are more active in the energy market are more likely to have made a complaint. Eighteen percent of those who switched supplier and 15% of those who changed their tariff also made a complaint in the last year. This may be an indication that consumers who are unsatisfied with their supplier are more likely to seek a better deal, or that more engaged consumers are more likely to make a complaint.

Two in five (41%) consumers who complained to their supplier are very dissatisfied with the complaints process, a sharp increase since 2014 (30%). Including those who are quite dissatisfied, this increase is much smaller (53% in 2016 vs 50% in 2014).

The proportion who are satisfied with their supplier’s complaints process has correspondingly decreased, down from 38% in 2014 to 34% in 2016.

Figure 3.17 Levels of complaints and satisfaction with the complaints process



Q.76 In the last 12 months, have you contacted a current or previous energy supplier to complain at all? Q.81 Excluding any comment about their prices, do you believe you have had cause to complain to an energy supplier in the last year, but have not done so? Q.80 Thinking of the last time you complained, taking everything into account regarding the complaints process how satisfied or dissatisfied were you overall with the way in which your complaint was handled by the energy supplier?)

Consumers who are with one of the six large suppliers are less likely to be dissatisfied (50%) with how their complaint was handled than those who are with a small or medium supplier (60%). This is consistent with 2014 (49% and 63% respectively).

3.7 Engagement with communications

Lack of clear information was identified in Ofgem's RMR as a barrier to consumer engagement in the energy market. As part of the RMR, rules were introduced to improve supplier communications, such as bills and annual summaries. To measure engagement with supplier communications, we asked consumers if they recalled receiving a bill/direct debit or pre-payment statement, annual summary, price increase notification (PIN) letter or end of fixed term tariff letter in the last 12 months, (whether by post or electronically). We then explored the extent to which these communications had been read and whether they acted upon the information received.

3.7.1 Recall of supplier communications

A large majority of consumers (82%) recalled receiving one or more communication from their energy supplier in the previous 12 months, in line with the 2014 baseline survey (83%).

Bills, direct debit or prepayment statements³⁹ are the communication most often recalled (70%), consistent with 2014. Of those that recall a bill, 40% read it in detail and 46% glanced over it, both slight falls compared with the 2014 baseline survey (Table 3.5).

Consumers are more likely to recall seeing an annual summary in 2016 (60%, 55% in 2014) However, since the 2014 baseline survey the proportion who read their annual summary in detail has fallen (42% to 39%), with a corresponding rise in the proportion glancing over it.

Fewer consumers in general recall receiving end of fixed term letters (21%), but those who do are more likely to read it in detail (51%) or glance over it (38%). This may be a reflection of greater importance placed on this type of communication (it is telling consumers that a deal is coming to an end) or greater engagement in the energy market generally by those on a fixed term tariff.

The most notable change is the fall in recall of price increase notifications. However, this is likely due to energy suppliers issuing fewer of this communication type than in 2014. In 2016, just over one in five (22%) do still recall receiving a price increase notification, and 44% of those claim to have read it in detail (48% and 42% respectively in 2014).

Those aged under 35 are less likely to recall receiving all communication types, and are less likely to read them in detail or glance over them. However, for those that do the proportions who are prompted to take an action is consistent with consumers in other age groups.

Consumers paying by prepayment meter remain less likely to recall receiving any written communication⁴⁰ than those paying by other methods, and this difference is particularly stark with regards to bills, as might be expected with only four in ten (39%) of those paying by prepayment meter recall seeing this, compared to 77% of those who pay by Direct Debit. This gap has widened since 2014.

Table 3.5 Recall and engagement with communications from suppliers

³⁹ Subsequent references in this report to receiving a bill are taken to include bill, direct debit or prepayment statement.

⁴⁰ This is perhaps to be expected as PPM customers tend to receive written communication on billing less frequently than those paying by other methods.

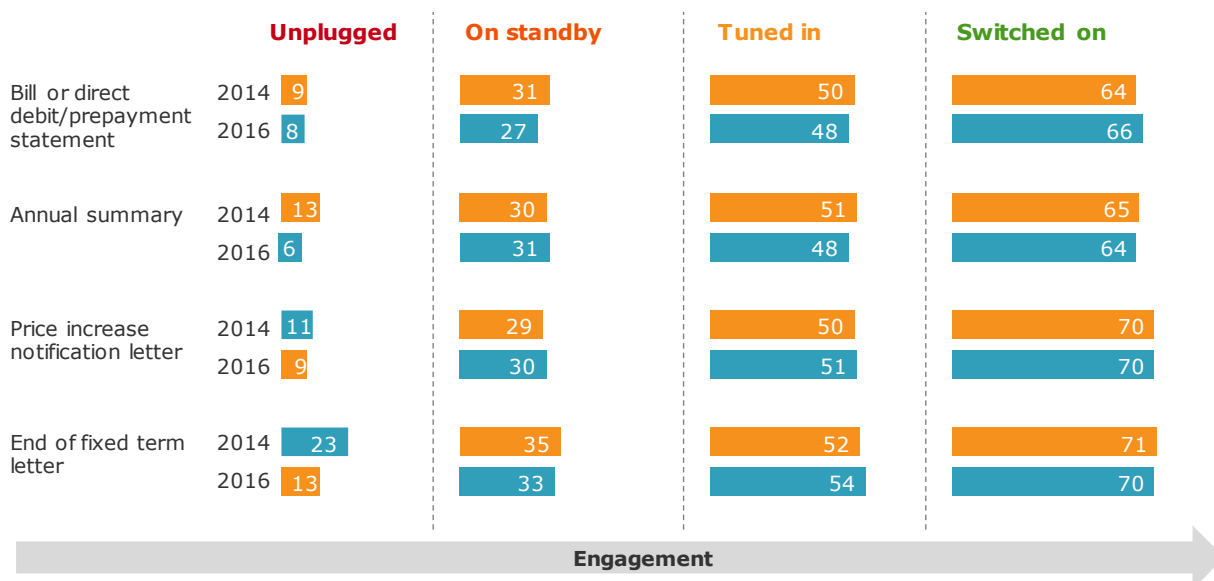
	Bill or direct debit/ prepayment statement		Annual summary		Price increase notification letter		End of fixed term tariff notice	
	Percentage							
	2014	2016	2014	2016	2014	2016	2014	2016
Recall receiving this communication in the last 12 months	69	70	55	60	48	22	20	21
<i>Unweighted base (all consumers)</i>	6131	5956	6131	5956	6131	5956	6131	5956
Of which...								
	Percentage							
Read it in detail	42	40	42	39	42	44	51	51
Glanced over it or skim read it	48	46	48	50	47	42	40	38
<i>Unweighted base=those who recall receiving communication</i>	4100	4079	3286	3512	2851	1319	1140	1203

Perhaps unsurprisingly⁴¹, engagement is highly associated with whether consumers read a communication. Only 8% (9% in 2014) of the *Unplugged* segment who recall receiving a bill or statement read it in detail, compared to 66% (64% in 2014) of *Switched on* consumers (Figure 3.18). Only a minority (4%) of *Switched on* consumers looked at their bill without reading it, compared to 53% of the *Unplugged*.

⁴¹ How consumers engage with communications forms part of the engagement index scoring.

Figure 3.18 Proportion of the segments that 'read in detail' a particular piece of the most recently received correspondence

Proportion of the segments that 'read in detail' a particular piece of recently received correspondence %



Q.95 Thinking about when you last received an annual summary, in how much detail did you look at it? Q.99 Thinking about when you last received a bill or direct debit/prepayment statement, in how much detail did you look at it?

Q.103 Thinking about when you last received a price increase notice, in how much detail did you look at it? Q.107 Thinking about when you last received an end of fixed term letter, in how much detail did you look at it?

Base: All who recall receiving communication (Bill 2014:4256, 2016:4079) (Annual summary 2014:3286, 2016:3512) (PIN 2014:2851, 2016:1319) (End of fixed term letter 2014:1140, 2016:1203)

3.7.2 Clarity of communications

There has been an overall increase in the proportion of consumers who read communications from an energy supplier and consider it to be clear. Consumers who reported having read in detail or glanced over the communications they received from their energy supplier were asked to evaluate how clearly the information was presented. Across each of the four communication types, the proportion of consumers saying it was very or quite clear has risen by 3-4 percentage points.

Over three quarters of consumers found their annual summaries (77%) and bills (78%) were presented clearly or quite clearly (compared with 73% and 75% in 2014, respectively).

Consumers also mostly found their end of fixed term letters to be clear. Internet users – both those using it frequently (82%) and those using it infrequently (83%) – found this communication clearer than those not using the internet (75%). It is important to highlight that these letters are only sent out to consumers who are on a fixed term tariff. As previously discussed, these consumers are already more likely to be engaged, compared with consumers who are on a standard variable tariff. Indeed, 68% of *Switched on* consumers are on a fixed term tariff whereas only one in five (20%) of *Unplugged* consumers are on such a tariff.

3.7.3 Action taken because of communications

In order to understand the extent to which these communications encourage consumers to take action, we asked respondents whether they took any of the following actions as a result of receiving a particular written communication:

- Checked the features of their current tariff and how much they are currently paying
- Looked into changing tariff with current supplier
- Looked into switching to a different supplier
- Thought about tariff or supplier, but have not yet started

Out of these actions that could be taken as a result of receiving a communication, consumers are most likely to check their current tariff with their existing supplier, followed by looking into switching tariff with existing supplier and then looking into switching supplier and thinking about switching tariff or supplier. This is the case across all four written communications. Out of the four, the end of fixed term letter is the one most likely to prompt consumers into taking action (in line with 2014).

Since 2014 there has been a large increase in the proportion of consumers stating that receiving a communication made them think about switching tariffs with their existing supplier or a different supplier but that they had not yet initiated this process. Indeed, there were large increases among those who recalled receiving an annual summary (15%), a bill (12%), a price increase notification (18%) and an end of fixed term notice (23%) (compared to 6%, 5%, 6% and 5% in 2014, respectively).

Overall, this increase in consumers thinking about taking action but not yet having started the process appears largely driven by the more engaged consumers. Indeed, across all four written communications, three in ten (29%) of *Switched on* consumers stated that they had thought about taking action after having received a communication.

The biggest increase in this category was for end of fixed term notices. As discussed above those on a fixed term tariff are more likely to be in the more engaged consumer segments. The increase among those who thought about taking action as a result of receiving an end of fixed term notice was highest among the *Switched on*, where almost four in ten (38%) reported they had thought about taking action.

Results for the four communications for recall, response, clarity and action taken are presented in Figure 3.19, with comparisons to the 2014 survey in Table 3.6.

Figure 3.19 Response to communications

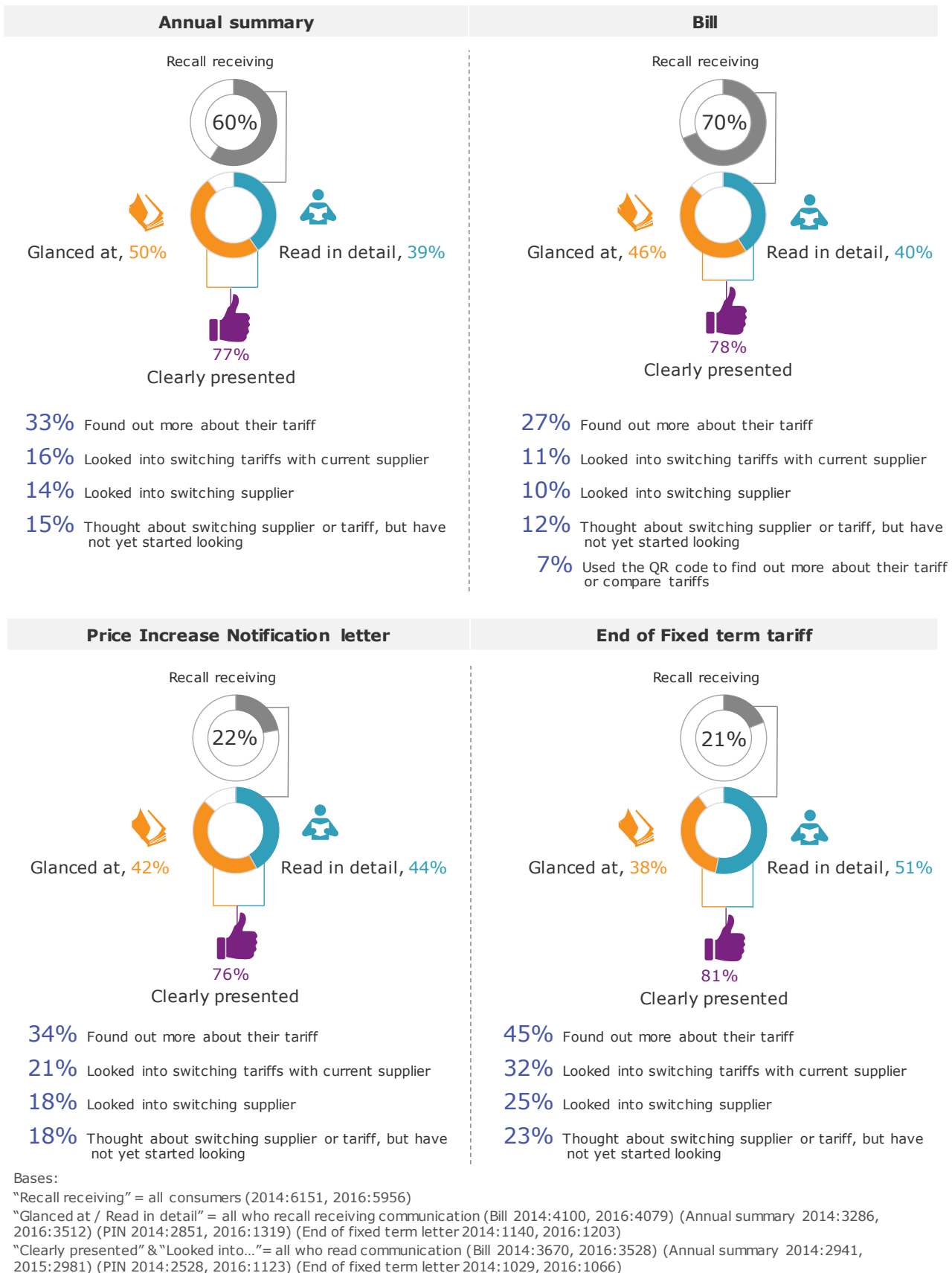


Table 3.6 Response to communications – 2014 vs 2016

	Bill or direct debit/ prepayment statement		Annual summary		Price increase notification letter		End of fixed term tariff notice	
	Percentages							
	2014	2016	2014	2016	2014	2016	2014	2016
Clarity of presentation...								
Clearly presented	75	78	73	77	73	76	77	81
<i>Unweighted base (those who read the communication)</i>	3670	3528	2941	3099	2528	1123	1029	1066
Action taken as a result ...								
Checked current tariff	30	27	34	33	32	34	43	45
Looked into switching tariffs with current supplier	13	11	17	16	19	21	34	32
Looked into switching supplier	11	10	15	14	17	18	23	25
Thought about changing tariff or supplier	5	12	6	15	6	18	5	23
<i>Unweighted base (those who read the communication)</i>	3670	3528	2941	3099	2528	1123	1029	1066

Using QR codes to access more information

In the 2016 survey we asked consumers who read their bill in detail, or glanced over it, whether they had used the QR code appearing on their bill to find out more about their existing tariff or to compare tariffs.⁴² Only 7% of consumers reported having taken this action. Among consumers who had switched supplier by using a price comparison website, this number increased to 11%. Relatedly, regular internet users (8%) were more likely to have used a QR code than those who use the internet infrequently (4%) or not at all (4%).

⁴² QR codes (Quick Response codes) are a type of barcode that you can scan with your smart phone or tablet to link to information about your tariff and energy consumption.

3.7.4 Cheapest Tariff Messaging (savings messages), Tariff Comparison Rates and Personal Projections⁴³

A key part of the RMR remedies is to make the energy market clearer and thus easier to navigate for consumers. Suppliers are required to include a Cheapest Tariff Messaging (savings messages) to notify their customers if they can make a saving by moving onto a different tariff with them, changing the way they pay their bills or moving to an online tariff. Suppliers were also required to provide a Tariff Comparison Rate (TCR), which aimed at making it easier for consumers to compare their current tariff with others offered by their existing or external suppliers and a Personal Projection (PP) which is an estimated annual cost of a tariff based on consumers' expected energy use.

As we will explore in the next section, these remedies have had a limited impact on consumers – both in terms of their recall and prompt to action. Savings messages and Personal Projections (both 34%) were more often recalled than Tariff Comparison Rates (20%). Personal Projections were more likely to be seen on an annual summary, whilst savings messages and TCRs were more often remembered as being on a bill. Levels of prompted action amongst those who recall are similar across the three remedies, with TCRs slightly more effective (although this is amongst fewer consumers).

It appears that these remedies are not widely effective. Consumers who are already engaged may be encouraged to take action, but this is less common amongst the less engaged groups, who are also less likely to recall.

Cheapest Tariff Messaging (savings messages)

A third of consumers (34%) recall seeing a savings message, and this proportion has remained the same since 2015. A bill or annual summary is the most likely place for a consumer to see the savings message. Amongst those who recalled seeing a savings message:

- 36% saw it on their bill;
- 27% saw it on their annual summary;
- 9% saw it in an email;
- 8% saw it on an end of fixed term notice.

These proportions have remained stable since 2015.

Amongst those who recall seeing the savings message, only around a third or fewer are encouraged to take action as a result:

- A third of consumers (35%) were greatly or somewhat encouraged to check their tariff
- Three in ten (29%) were encouraged to compare their tariff;
- A quarter (25%) were encouraged to switch tariff and/or supplier

This means that 1 in 10 or fewer consumers overall report that they are encouraged by a savings message to take action that could get them a better deal. Amongst those consumers who saw a savings message, a majority said that the savings message did not at all encourage them to check their current tariff (51%), compare their tariff with others offered by their existing or external suppliers (57%) or switch their tariff and/or supplier (62%).

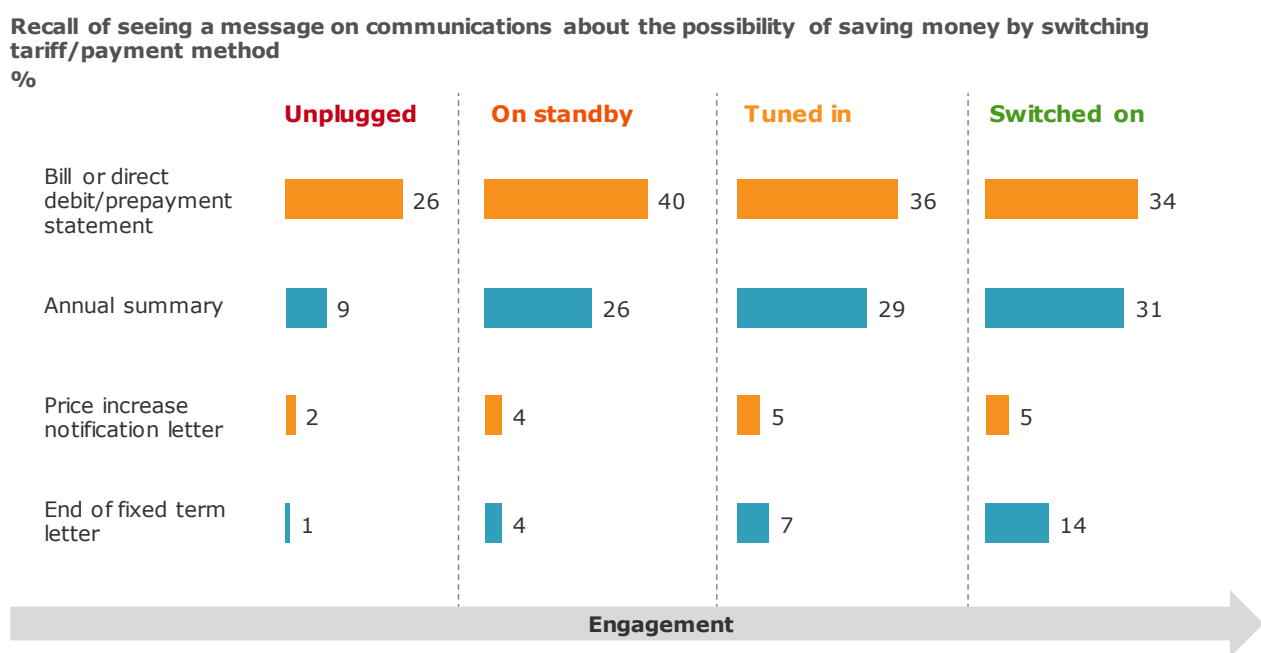
Consistently, those who are more engaged are more likely to be prompted to action. For example, 55% of the *Switched on* group checked their tariff after seeing a savings message, compared to 35% of the *Tuned in* group. This suggests that remedies intended to improve

⁴³ Recollection of TCR and PP was only collected from 2015 onwards.

engagement are most effective amongst those already conducting some activity in the energy market.

The more engaged consumers are more likely to have noticed a savings message on their annual summary than the less engaged consumers (31% for the *Switched on* compared to 9% for the *Unplugged*). The differences by segments are smaller with regards to having seen the savings message on a bill: 34% of *Switched on* consumers saw the message on a bill whereas 26% of *Unplugged* consumers saw the savings message on a bill. This has remained largely stable since 2015.

Figure 3.20 Recall of seeing a message on the last received letter about the possibility of saving money by changing tariff or switching payment method



Q168 Energy suppliers are required to notify customers about savings they could make by managing their account online, changing tariff or changing their payment method with their current supplier. Do you recall seeing a message like this? Q169. And where did you see this?

Base: All consumers (5956)

*Please note that in 2014, awareness of savings messages was only asked of those who had read each communication. In 2016, this was asked of all consumers.

Tariff Comparison Rates⁴⁴

Just a fifth of consumers (20%) recall seeing a TCR (compared to 18% in 2015). Consumers of one of the six large suppliers are less likely to recall seeing a TCR: 20% compared with 26% among those with a small or medium supplier. Consumers paying by prepayment meter remain almost two times less likely (12%) to recall seeing a TCR than those paying by other methods (22%).

Overall, the place where most consumers see a TCR is on their energy bill, and this has remained largely stable since 2015 (32%, compared to 30% in 2015). However, the proportion of consumers who saw the TCR on a leaflet or letter sent to them has decreased (12%, 18% in

⁴⁴ Recollection of TCR and PP was only collected from 2015 onwards.

2015) whereas there has been an increase in consumers seeing a TCR on their annual summary (28%, 20% in 2015).

Perhaps unsurprisingly, and echoing the profile differences above, engaged consumers are more likely to recall having seen a TCR than those who are less engaged. *Switched on* consumers are more than eight times as likely to recall seeing a TCR as those who are *Unplugged* (42% and 5%, respectively). This gap has remained largely similar since 2015, when the corresponding figures were 37% and 4%. It is difficult to unpick whether TCRs are increasing engagement. This could be one conclusion, but it could, more likely, be that those who are more inclined towards engagement (active in the energy market, engaged with communication and information, contacting their supplier etc.) may be more likely as a result to notice a TCR, or similar.

With regards to actions taken as a result of seeing a TCR, the results for 2016 are similar to those from 2015:

- 39% were encouraged to check their tariff;
- 34% to compare their tariff with others offered by their supplier or other suppliers; and
- 29% to switch their supplier.

Personal Projections

As with savings messages, one third (34%) of consumers recall seeing a Personal Projection (PP), an increase since 2015 (31%).

As in 2015, consumers with small or medium suppliers are more likely to recall seeing a PP (43%, 33% amongst those with one of the six large suppliers). Those paying by prepayment meter are much less likely to recall seeing a PP (18% and 37% recall PP respectively).

An annual summary is the most commonly remembered place to have seen a PP. Consumers are now more likely to have seen a PP on their annual summary (36%, 30% in 2015), but less likely to recall seeing a PP on a leaflet or letter sent directly by their supplier (13%, 16% in 2015). Seeing a PP on their bill (29%, 30% in 2015) or suppliers' website (11% in 2016 and 2015) remained consistent.

A similar minority of consumers were encouraged to take action as with those who recalled seeing a TCR. A third (32%) were encouraged by seeing the PP to check their own tariff, 28% to compare their tariff with other tariffs offered by their current supplier or other suppliers, and a quarter (24%) to switch tariff and/or supplier. This is consistent with the results from 2015.

3.7.5 Standards of Conduct communications

Suppliers are required to inform their customers about what actions they have taken to treat consumers fairly, and what service/treatment their customers can expect from them.

Continuing the approach adopted in 2014 and 2015, we asked participants if they recalled receiving any communication from their energy supplier(s) about their 'requirements to treat customers fairly' as we did not expect consumers to be familiar with the term 'Standards of Conduct'.

On the whole consumers are unlikely to have seen information about the Standards of Conduct, and this has worsened since 2014. There has been a decrease in the proportion of consumers who recall seeing such a message – 28% in 2016 compared to 33% in 2014). Those paying by PPM remain less likely to recall seeing a message relating to the Standards of Conduct (21%, compared to 25% in 2014).

Nearly six in ten (58%) of those who recall some communication from their energy supplier(s) about 'requirements to treat customers fairly' said that they had seen this information in a letter or leaflet sent to them, one in six (16%) remember seeing it somewhere such as a newspaper article or advertisement. Other sources mentioned included email (14%) and their supplier's website (10%).

4. How are consumers' perceptions and experiences of the market changing?

In this chapter we explore consumer experiences with their own supplier and the energy sector in general.

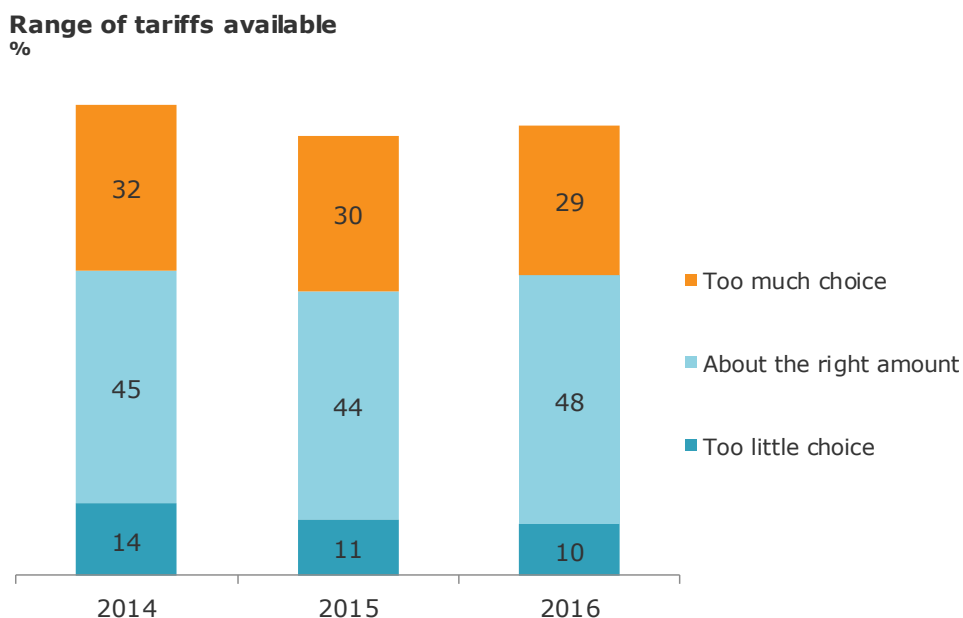
Key messages:

- While it is still just under half of consumers who believe there is the right amount of choice of tariffs in the energy market, this has increased since 2014 (48% and 45% respectively). This increase has been driven by improvements amongst the more engaged groups of consumers, whereas those who are less engaged are much more likely so say they don't know about the amount of choice.
- Familiarity with the range and features of tariffs has improved since 2014 (42% and 38% respectively), but there remains a larger proportion of consumers (56%) who say they are not familiar with either. *Unplugged* consumers are far more likely to say they are not familiar than those who are engaged, the *Switched on*.
- Overall a majority of consumers are satisfied with the service they receive from their energy supplier, and this has increased since 2014 (77% and 72% respectively).
- Trust in suppliers to treat consumers fairly or charge a fair price has improved (58%, 51% in 2014), but the proportion of consumers that trust their supplier to provide clear and helpful information remains stable (66%).
- Overall, there has been an increase in levels of trust in own supplier among all segments, except the *Unplugged*.
- Consumers trust energy suppliers in general much less than they trust their own supplier. The *Unplugged* group are more likely to trust energy suppliers and other utility providers (such as insurance companies, banks and landline phone providers) than the more engaged segments.

4.1 Choice in the market

Just under half (48%) of consumers believe that there is the right amount of choice of tariffs in the energy market, although this has increased from 45% in 2014. Consumers are more likely to think that they have too much choice (29%, down from 32% in 2014) than too little (10%, again down from 14% in 2014). (Figure 4.1).

Figure 4.1 Consumer perceptions of the range of different tariffs available to them



Q.73 Thinking about the range of different tariffs available to you from energy suppliers, would you say that you have...? All who have gas and/or electricity supply and are responsible for it (2014: 6151, 2015: 5934, 2016: 5956)

Although consumers from social grades AB (33%), home owners (32%) and those who are aged 35-64 (31%) and 65+ (30%) are still more likely to say there is too much choice than consumers generally, in 2014 these differences were more pronounced.

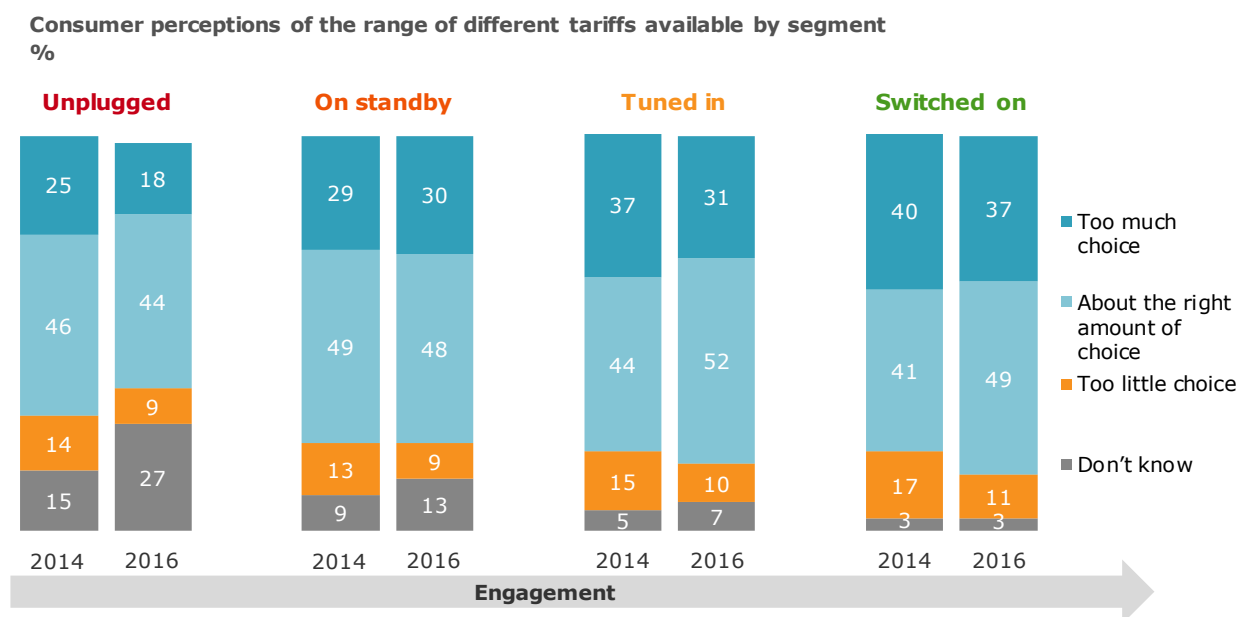
Those living in private rented accommodation or who are on a prepayment meter are more likely to feel there is too little choice (12% and 13% respectively) than consumers generally. This is likely, in part, to reflect the more limited tariff choices that are available to some of these groups. However, in 2014 19% of those in private rented accommodation and 18% of those on a PPM felt they had too little choice, suggesting there has been some improvement.

Looking across the consumer segments (Figure 4.2), those in the *On standby* (48%) and *Tuned in* (52%) segments are more likely to feel they have the right amount of choice, and the more engaged segments are more likely to feel they have too much choice.

The proportion of the most engaged consumers who feel they have the right amount of choice has risen (41% to 49%) since 2014 whilst the proportion of the *Unplugged* group has fallen slightly (44%, 46% in 2014).

Those in the *Unplugged* group are significantly more likely now, than in 2014, to say they don't know if there is the right amount of choice, up from 15% in 2014 to 27% in 2016.

Figure 4.2 Consumer perceptions of the range of different tariffs available to them by segment



Q.73 Thinking about the range of different tariffs available to you from energy suppliers, would you say that you have...?

Base: All consumers (2014:6151, 2016:5956)

4.2 Familiarity with the range and features of tariffs

A key part of making the energy market clearer includes ensuring that consumers understand the range and features of the tariffs available from their current and other energy suppliers⁴⁵. In order to understand how familiar consumers are with these facets, we asked respondents how familiar they are with:

- the features of their own current gas and electricity tariff;
- the range of tariffs available from their current gas and/or electricity supplier; and
- the range of tariffs available from energy suppliers in general.

While familiarity with the range and features of tariffs has increased since 2014, there remains a larger proportion of the consumers who say they are not very or not at all familiar. Results for these questions are presented in Figure 4.3.

Consumer familiarity with the range of different tariffs available from energy suppliers in general has increased in 2016 (42%, 38% in 2014).

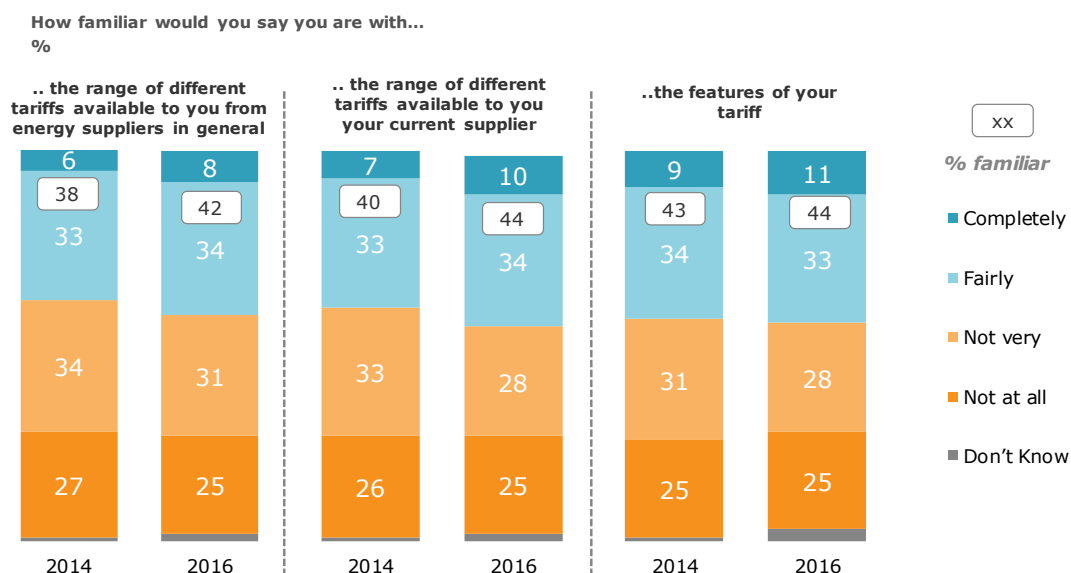
Those who are with a small or medium supplier are more likely (53%) to be familiar with tariffs in general than those who are with one of the six large suppliers (42%).

Consumers are more familiar with the range of tariffs available from their current supplier in 2016 (44%, compared to 40% in 2014).

⁴⁵ Although asked about each fuel separately, very few respondents gave a different answer for one tariff than the other; we therefore present a single 'familiarity' result. Where consumers occasionally did feel differently about one tariff over the other, we present the most positive result.

A quarter of consumers (25%) say they are not at all familiar with the tariffs offered by suppliers in general, the tariffs offered by their current supplier or with the features of their current tariff. This is more common amongst those who are less likely to be engaged in the energy market – older consumers, those from DE social grade, lower earners, renters (especially social renters) and non-internet users. Those who do not receive a dual fuel discount are much more likely to report they are not at all familiar with the features of their current tariff; 30% compared to 16% among those who do not receive such a deal.

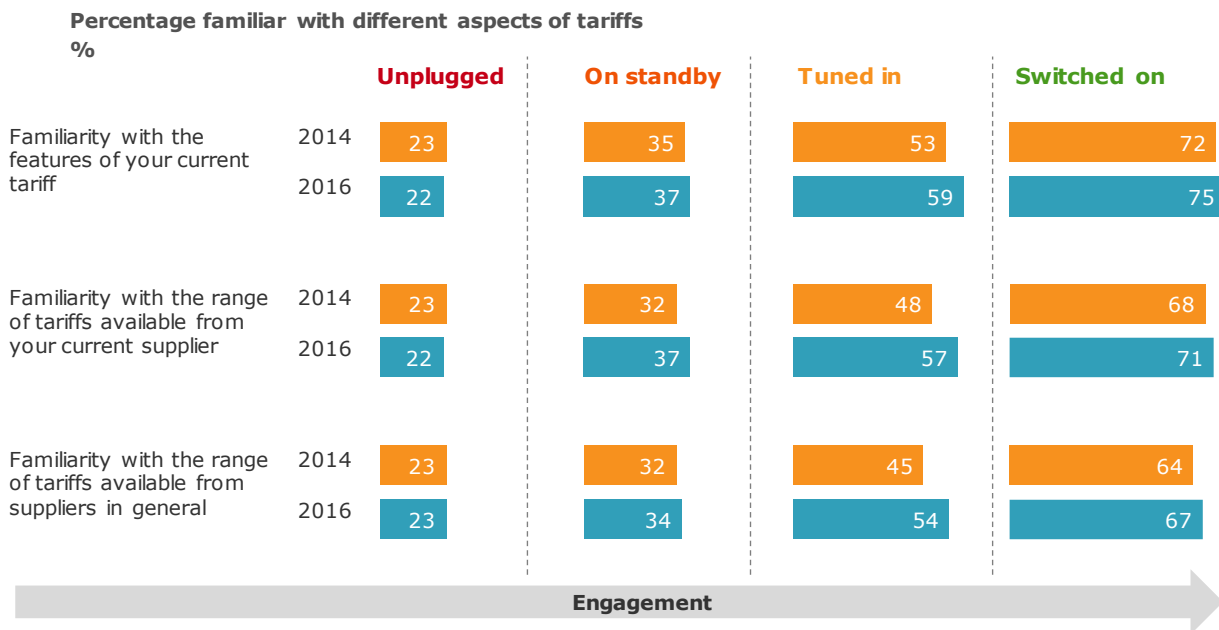
Figure 4.3 Consumer familiarity with range of tariffs from suppliers in general and from own supplier, and familiarity with the features of their own tariff



Q.86 How familiar would you say that you are with the range of different energy tariffs available to you from energy suppliers in general?, Q.152 How familiar would you say you are with the range of different tariffs available to you from your current energy supplier? Q.87 How familiar would you say that you are with the range of different tariffs available to you from your current gas supplier?, Q.88 How familiar would you say that you are with the range of different tariffs available to you from your current electricity supplier? Q.153 How familiar would you say you are with the features of your current dual fuel tariff? Q89 How familiar would you say that you are with the features of your current tariff? Q90 How familiar would you say that you are with the features of your current electricity tariff?
BASE: All consumers (2014:6151, 2016:5956)

Unplugged consumers are much less likely to be familiar with tariffs. They are three times less likely than those who are *Switched on* to be familiar with tariffs in general (23%, compared to 67% for the most engaged consumers), familiar with the range of tariffs from their current supplier (22%, compared to 71%) and with the features of their current tariff (22%, compared to 75%).

Figure 4.4 Percentage familiar with the features of their own or range of tariffs available by segment



Q.86 How familiar would you say you are with the range of different energy tariffs available to you from energy suppliers in general?

Q.152 How familiar would you say you are with the range of different tariffs available to you from your current energy supplier? Q.87 How familiar would you say you are with the range of different tariffs available to you from your current gas supplier? Q.88 How familiar would you say you are with the range of different tariffs available to you from your current electricity supplier? Q.153 How familiar would you say you are with the features of your current dual fuel tariff? Q.89 How familiar would you say you are with the features of your current gas tariff Q.90 How familiar would you say you are with the features of your current electricity tariff?

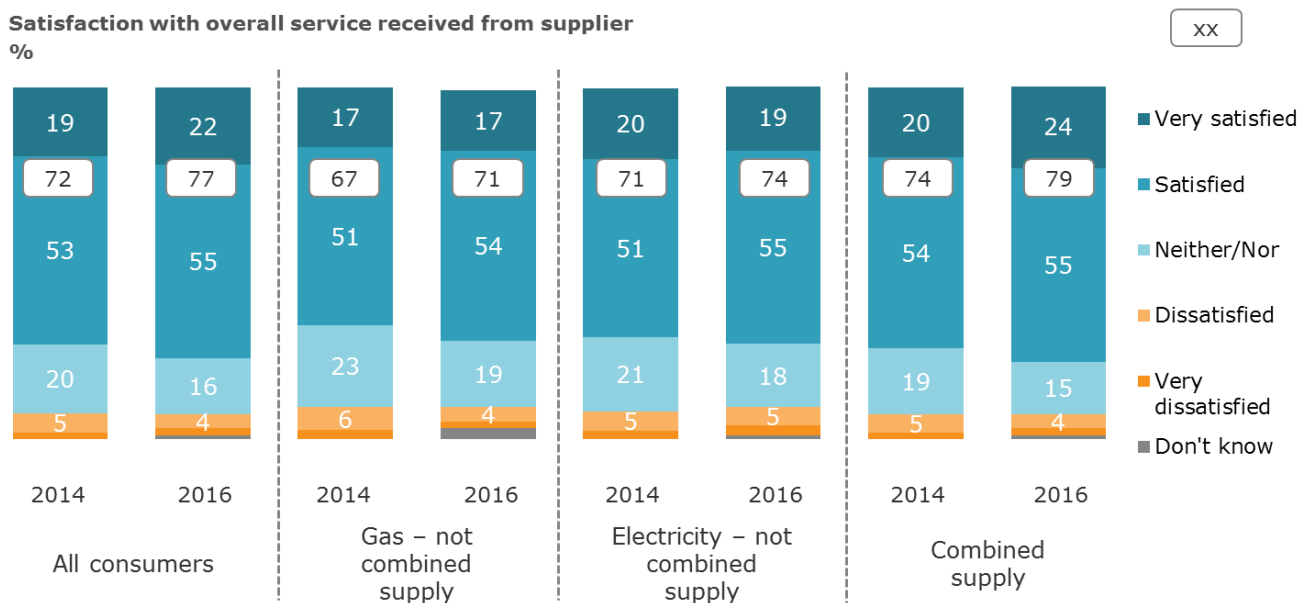
Base: All consumers (2014:6151, 2016:5956)

4.3 Satisfaction with energy suppliers

Overall a majority of consumers are satisfied with the service they receive from their energy supplier, and this has increased since 2014, (77%, 72% in 2014). This increase appears to be driven by more consumers being very satisfied with their combined energy supplier (24%, compared to 20% in 2014). Among consumers with separate gas and electricity tariffs, there has been a small increase in the proportion of consumers who are satisfied with the service provided to them.

Older consumers (aged 65 or over) remain more likely to be satisfied with their supplier's service. Indeed, 84% of these consumers are content with the service provided, of which a quarter (25%) are very satisfied. As in 2014, there is little difference in satisfaction levels between consumers in different social grades. Satisfaction is lower among *Unplugged* consumers, but still a majority (71%) are satisfied as are 78% of *Switched on* consumers.

Figure 4.5 Satisfaction with the service received from energy suppliers



Q.59/63/67 How satisfied or dissatisfied are you with the overall service you receive from your current gas/electricity/energy supplier?
 BASE: All consumers (2014: 6151, 2016: 5956)

Generally, satisfaction with the six large suppliers and small or medium suppliers is similar. Satisfaction, however, is lower among gas consumers who do not buy their gas and electricity from the same small or medium supplier (Table 4.1).

Table 4.1 Satisfaction by consumer type and supplier type

Satisfaction with energy supplier	All consumers	Six Large Supplier Consumers	Small or Medium Supplier Consumers
	Percentage		
All consumers (5956)	77	77	81
Gas, not combined supply (525)	71	74	*46
Electricity, not combined supply (1251)	74	75	74
Combined gas and electricity, same supplier (4688)	79	78	82

4.4 Trust in own energy supplier

We asked respondents to what extent they trust their current supplier to treat them fairly in their dealings with them, provide them with clear and helpful information, and charge them a fair price. Some general trends can be observed across these three metrics. In general, levels of trust are reasonably high, and have increased since 2014. (Figure 4.6)

Consumers on a separate gas tariff are the least likely to say they trust their supplier, whereas those on a dual fuel tariff are the most likely. For instance, those on a separate gas tariff (62%) are less likely to trust their supplier to treat them fairly than those on a separate electricity tariff (65%) and those with combined supply (66%). This was also the case in 2014, when the corresponding figures were 56%, 63% and 63%, although as this shows levels of trust have risen slightly in each group.

Consumers who are with one of the six large suppliers are less likely to say they trust their supplier compared to those with a small or medium supplier.

Across all three metrics, those aged 65 or over are by far the most trusting while those aged 35 to 64 are the least trusting. Those in social grade DE and those over 65 (both 65%) are the most likely to trust their supplier to charge a fair price. Consumers aged 35 to 64 (53%) and those in social grade AB (52%) tend to be the least trusting with regards to suppliers charging a fair price, perhaps reflecting a more savvy or sceptical consumer.

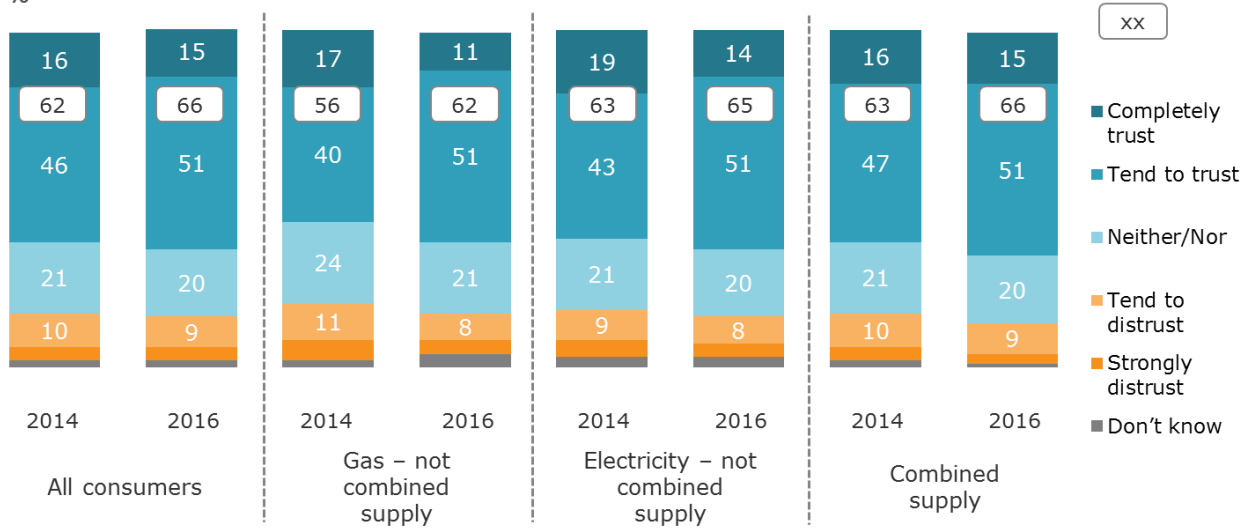
⁴⁶ Only 5 consumers.

4.4.1 Trust in own energy supplier to treat you fairly in their dealings with you

The majority of consumers trust their supplier to treat them fairly in their dealings with them (66%), an increase since 2014 (62%).

Figure 4.6 Whether trust own energy supplier to treat you fairly in their dealings with you?

Extent that consumer trusts their supplier to treat them fairly in their dealings
%

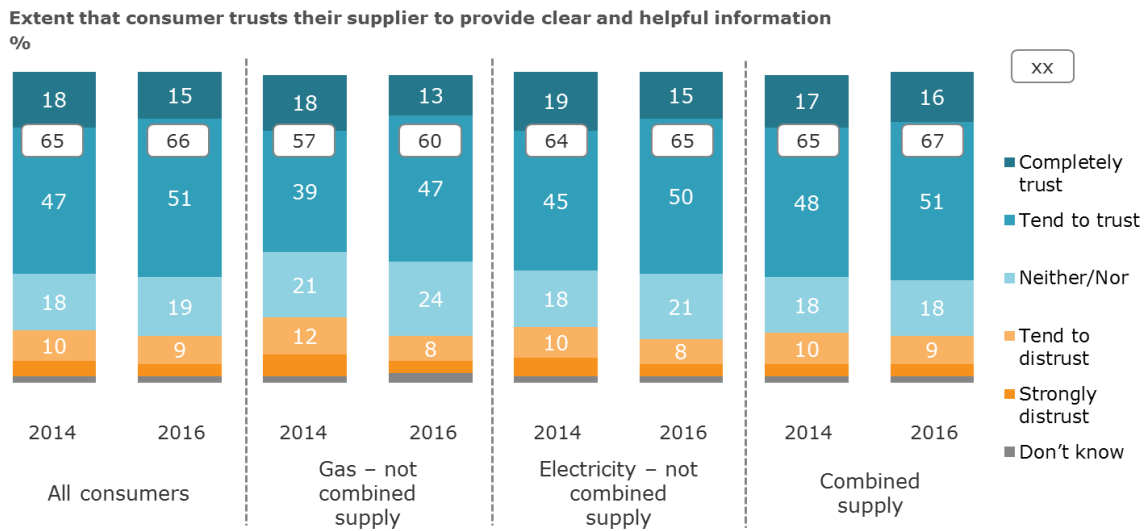


Q60_1/Q64_1/Q68_1 To what extent do you trust or distrust your gas/electricity/energy supplier to...Treat you fairly in their dealings with you?
BASE: All consumers (2014:6151, 2016:5956)

4.4.2 Trust in own energy supplier to provide clear and helpful information

The majority of consumers (66%) trust their supplier to provide clear and helpful information. This has remained stable since 2014, when 65% of consumers also reported trusting their supplier with regards to the information provided.

Figure 4.7 Whether trust own energy supplier to provide clear and helpful information



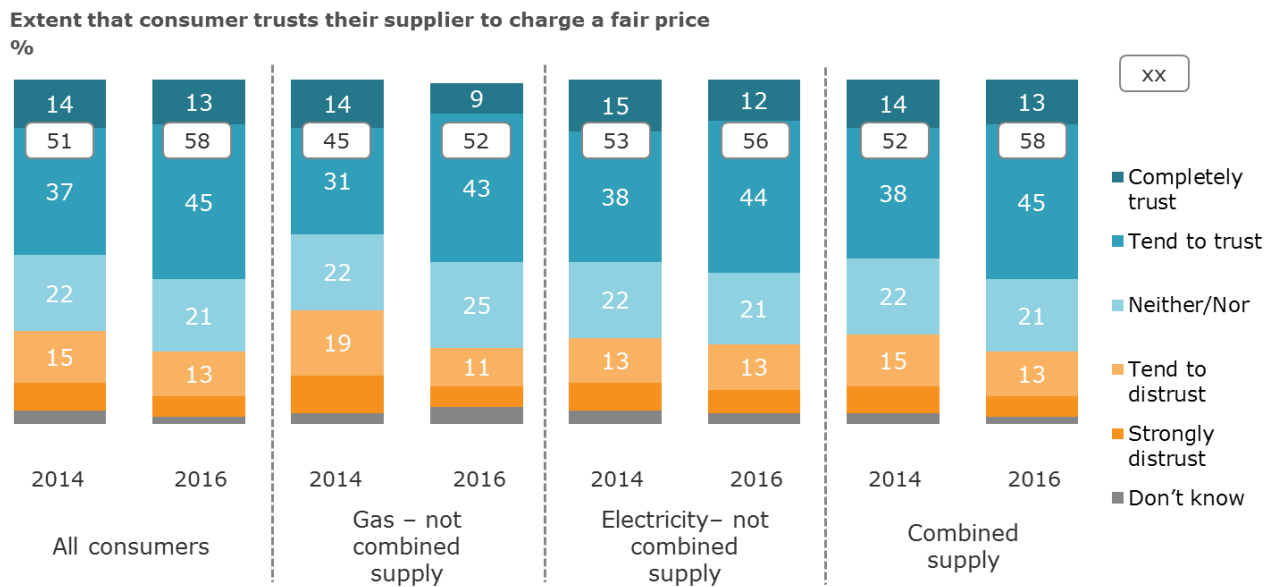
Q60_2/Q64_2/Q68_2 To what extent do you trust or distrust your gas/electricity/energy supplier to...Provide clear and helpful information for you?
 BASE: All consumers (2014:6151, 2016:5956)

4.4.3 Trust in own energy supplier to charge a fair price

Overall, there has been a notable increase in the proportion of consumers who trust their own energy provider to charge them a fair price; 58% of consumers tend to trust or completely trust their supplier to charge a fair price in 2016, up from 51% in 2014. There has been an increase across those who have a separate gas tariff (from 45% in 2014 to 52% in 2016), those who have a separate electricity tariff (from 53% in 2014 to 56% in 2016) and those who have a combined tariff (from 52% in 2014 to 59% in 2016). The increase has been larger for consumers on a separate gas tariff and those on a combined tariff. It may be that this is a result of decreasing energy tariff prices since 2014.

The RMR rules have no direct bearing on the prices that energy suppliers charge their customers. While the question on trust to charge a fair price was not asked as a direct measure of success for the RMR reforms, Ofgem recognises it is an important attitudinal trait which may have a bearing on consumers' willingness to engage in the energy market.

Figure 4.8 Whether consumers trust energy suppliers to charge a fair price



Q60_3/Q64_3/Q68_3 To what extent do you trust or distrust your gas/electricity/energy supplier to...Charge you a fair price for your gas/electricity/energy?
 BASE: All consumers (2014:6151, 2016:5956)

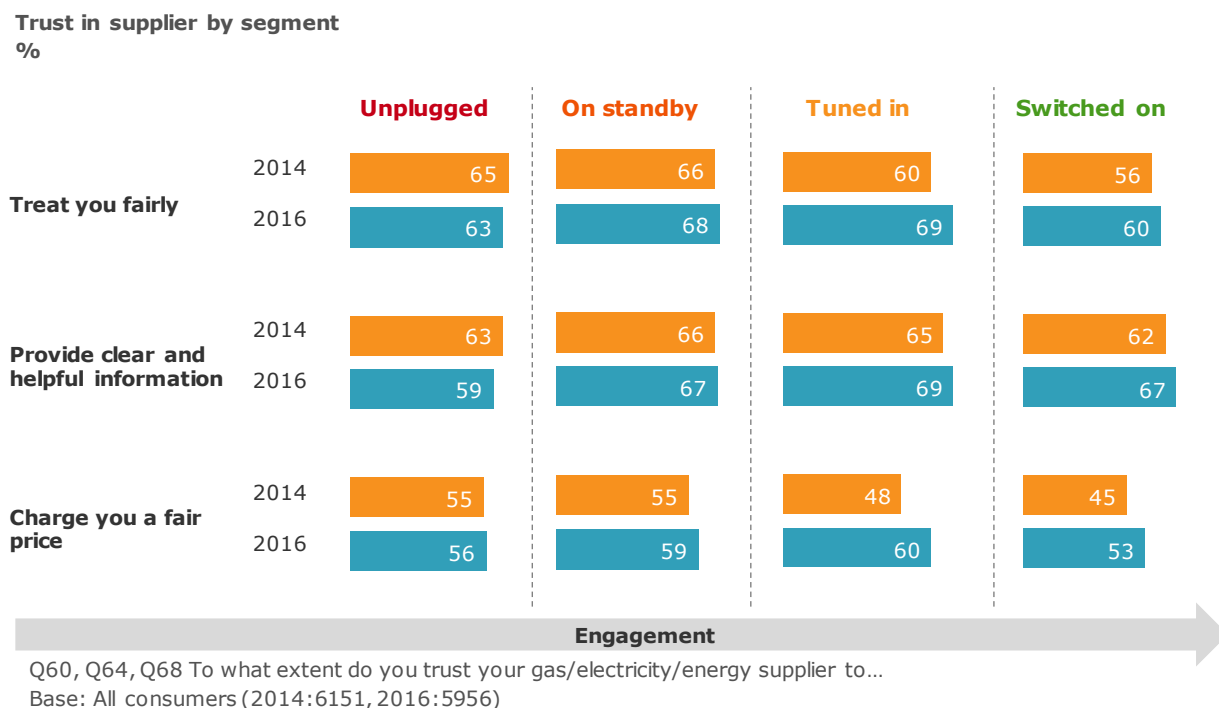
4.4.4 Trust in own supplier across the consumer segments

Out of the four consumer segments, the *Tuned in* segment is the most likely to say they trust their supplier. Seven in ten (69%) of these consumers trust their supplier to treat them fairly in their dealings with them; 69% also trust their supplier to provide clear and helpful information, and 60% trust their supplier to charge a fair price.

Over half (58%) of consumers trust their supplier to charge a fair price, an increase since 2014 (51%). This increase seems to be largely driven by the *Tuned in* (60%, 48% in 2014) and *Switched on* (53%, 45% in 2014) consumers. There has been an increase among *On standby* consumers (59%, 55% in 2014), and no change among the *Unplugged* (56%, 55% in 2014).

Overall, there has been an increase in trust in own supplier among all segments, except the *Unplugged*. Regarding trust in being treated fairly and in being given helpful information, trust among the *Unplugged* has in fact decreased. However these remain at similar levels to other groups.

Figure 4.9 To what extent do you trust or distrust your gas/electricity/energy supplier to...?



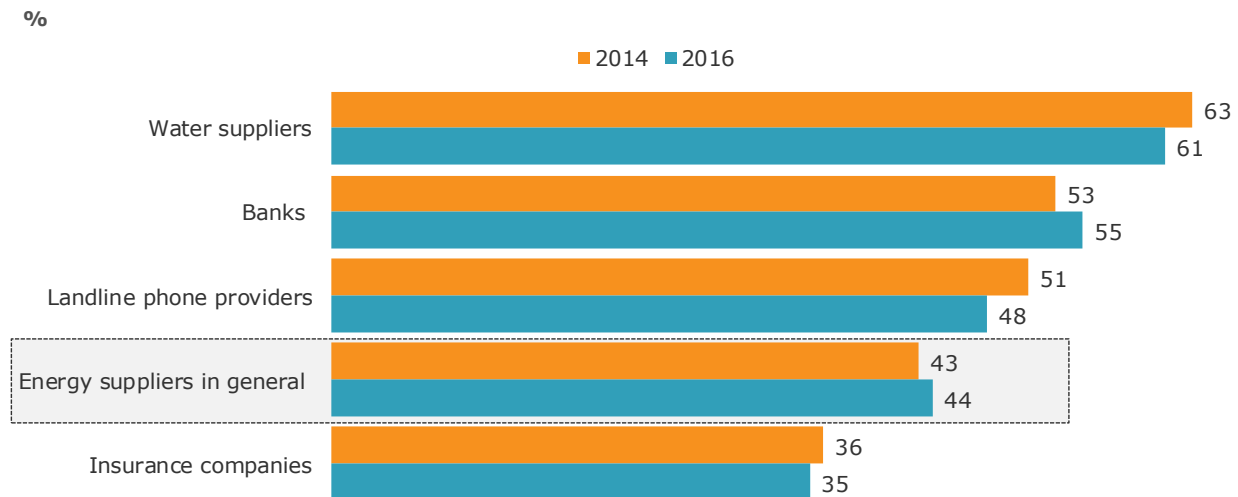
4.5 Trust in energy suppliers in general versus other markets

Trust amongst consumers in energy suppliers in general is much lower than trust in their own supplier. We asked consumers to what extent they trust a wide variety of organisations to be fair in their dealings with consumers and citizens. Of particular interest is the question asked about *energy suppliers in general*. We found that over four in ten (44%) trust energy suppliers in general to be fair in their dealings with consumers. This figure has remained stable since 2014 (43%). This is considerably lower than the proportion of consumers who trust their own supplier (66%).

Among other providers, water suppliers remain the most trusted (61%), followed by landline providers (48%) and banks (55%). Insurance companies remain the least trusted providers (35%).

Figure 4.10 Extent to which consumers trust service providers to be fair in the way they deal with customers or citizens?

Please tell me the extent to which you trust or distrust the following to be fair in the way they deal with customers or citizens?



Q.72 And please tell me the extent to which you trust or distrust the following to be fair in the way they deal with customers or citizens?

BASE: All consumers (2014:6151, 2016:5956)

Although *Unplugged* consumers were not the most trusting of their own energy supplier, they are much more likely to trust energy suppliers in general than other segments (50%, 44% all consumers). They are also more likely to trust insurance companies (41%, 35% all consumers), banks (60%, 55% all consumers) and landline phone providers (52%, 48% all consumers).

5. What are the drivers, barriers and enablers of consumer engagement?

In this chapter we explore the potential drivers of consumer engagement in the energy sector. Barriers and enablers to improving engagement levels are also investigated.

Key messages:

- Price remains the key motivator when switching, looking for a tariff, or choosing a supplier, despite a general reduction in energy prices. Consumers feel they need to save, on average, just under £300 per year to make it worth changing their supplier or tariff. This figure is higher amongst the *Unplugged* segment (£325). However, there is a small proportion of consumers for whom price does not seem to be a strong motivator, particularly amongst the less engaged.
- Those in the most engaged segment are more likely to accept a lower saving (£218) to prompt them to switch than the most disengaged, and they are also more likely to be looking for savings. This acts to further separate the most and least engaged in terms of getting a better deal in the energy market.
- There is a correlation between internet use and engagement, and it is important as it gives consumers access to tools such as Price Comparison websites and online accounts which may promote action. As well as an increase in consumers using the internet to find deals and to switch, consumers in 2016 are also notably more likely to interact with their energy supplier through an online tariff (40%, 34% in 2014).
- The majority of consumers are still with one of the six large suppliers (78%), however, there has been an increase in consumers choosing small or medium suppliers since 2014 (15%, compared with 7% in 2014), and those who are more engaged in the energy market appear to have better taken advantage of the increased choice of suppliers available to consumers now.
- There is a clear difference between the segments when it comes to their experiences and attitudes. *Switched on* consumers are more likely to have switched in other circumstances, such as a mobile or broadband provider. Thirty-five percent of the most engaged group said they had switched one or more of these in the last 12 months, compared to 15% of the *Unplugged*. Those who are engaged are consistently more likely to be positive in their attitudes towards getting a better deal, energy suppliers, and the market.

5.1 The role of price

Price remains a key motivator for engaging with the energy market, despite consumers reporting a decrease in their mean annual energy bills. In 2014 consumers reported spending an average of £1330 per year, whereas in 2016 this has fallen to £1184.

Those in the *Unplugged* segment report they are paying the most for their energy (£1215) and those in the *Switched on* segment pay the least (£1145). This underlines the link between engagement and getting a good deal in the energy market. Although reported energy spend has fallen overall, those in the *Unplugged* group estimate they are now paying slightly more than they were in 2014.

Those from the AB social grades (£1232), the 35-64 age group (£1237), those who own their own home (£1205) and who earn more than £16,000 per annum (£1227) also, on average, pay more for their energy, perhaps reflecting their greater energy demand. This could, for some, be an influence over their engagement in the energy market – these groups are also those more likely to be in the most engaged *Switched on* segment.

5.1.1 Considerations when choosing an energy deal

Tariff price remains the most important consideration for consumers when choosing an energy deal.⁴⁷ Although this has fallen, from 82% in 2014 to 79% in 2016, it is still the predominant factor, including relative to other factors. Customer service is the second most important factor, chosen by a third of consumers (34%, 28% in 2014) followed by the reputation of the supplier (11%, 9% in 2014).

Switched on consumers are more likely to consider tariff price and customer service to be important (see Table 5.1). A sizeable proportion of the *Unplugged* group (16%) did not know what mattered to them when choosing an energy supplier or tariff, possibly reflecting that fewer have made an active 'choice' at all.

Table 5.1: Factors that matter when choosing an energy supplier

What factors matter most to you when choosing your energy supplier or tariff? ⁴⁸				
	Percentage			
	Unplugged	On standby	Tuned in	Switched on
Tariff Price	65	76	85	93
Customer service	29	34	34	38
Reputation of supplier	9	13	12	10
Don't know	16	6	3	1
<i>Unweighted base</i>	<i>1333</i>	<i>2191</i>	<i>1630</i>	<i>802</i>

5.1.2 Motivation for activity in the energy market

Saving money continues to be the main motivation for those who are switching, comparing and changing tariff (91%), and this remains broadly unchanged from the baseline survey in 2014. However, 12% of those who compare, switch and change also want better customer

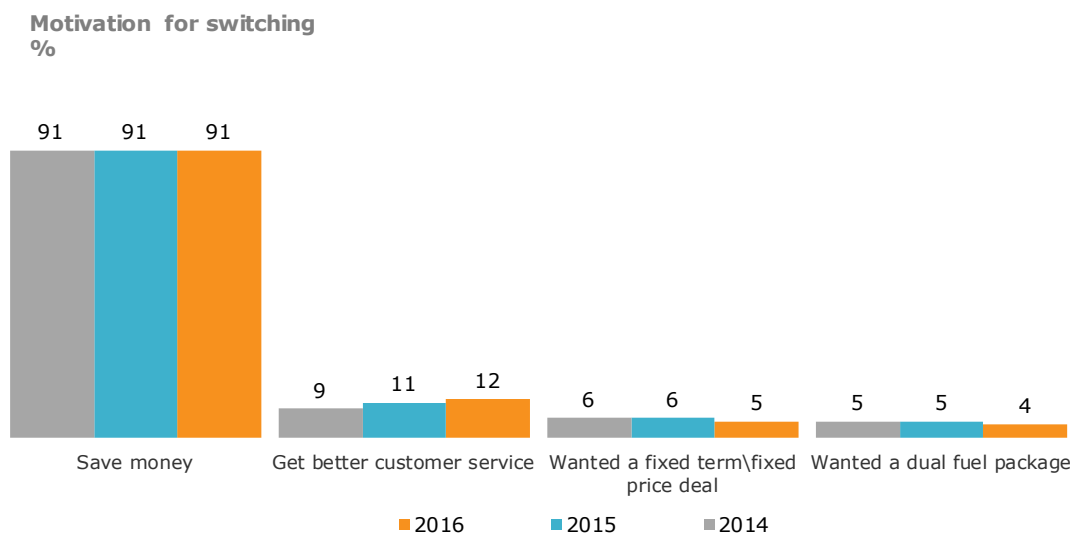
⁴⁷ All consumers were asked to consider the factors that mattered most to them when choosing an energy supplier or tariff and not specifically in relation to switching.

⁴⁸ Other answer options were chosen, we present the top 3 and don't know category

service, an increase since the 2014 survey (9%). This is despite the generally positive results for satisfaction with supplier discussed earlier in this report. A small minority of active consumers were seeking a fixed term tariff (5%) or wanted a dual fuel package (4%).

Saving money is a more prevalent reason for activity in the energy market among those on direct debit (92%, compared to 86% of prepayment meter consumers) and those on a fixed term tariff (93%, compared to 88% of those on a standard variable tariff), perhaps reflecting a general attitude, and prior action, towards getting the best possible deal financially. Saving money also seems to be a more common motivation among small or medium supplier customers (93%, compared to 90% among those with one of the six large suppliers).

Figure 5.1 Consumers' motivation for switching, changing tariff or comparing



Base: Q.160 All who have switched supplier, changed tariff with an existing supplier, compared tariff with other suppliers or compared tariff with existing supplier in past 12 months (2014:2000, 2015:2034, 2016:2112)

5.1.3 Price tipping point for switching

We asked all consumers to estimate the minimum amount of money they would need to save per year to encourage them to switch supplier.⁴⁹ Consumers on average would need to save £283 per year to switch, broadly in line with the figure found in 2014. Very few would be willing to switch for less than £100 per year.

Table 5.2 Minimum saving required to encourage consumers to switch supplier

	2014	2016
	Percentage	
£0 to £50	5	4
£51 to £100	8	9
£101 to £200	19	19
£201 to £400	23	21
£401+	12	12
It's not about the money / Don't know / Refused ⁵⁰	33	35
<i>It's not all about the money</i>	-	17
<i>Don't know</i>	-	17
<i>Refused</i>	-	1
<i>Mean</i>	£294	£283
<i>Unweighted base (all who provided an estimate)</i>	3,812	3,686

Interestingly, the minimum amount that would encourage switching is lower amongst the engaged consumer segments - £218 for *Switched on* compared to £325 for *Unplugged*. Those in the *Unplugged* group are also notably more likely to say 'it's not about the money' (21%, compared to 8% for *Switched on*). This presents a challenge to efforts to motivate the most disengaged groups as they are more likely to either wish to save a greater amount before taking action and appear not as easily motivated by price. There may, of course, be other issues relevant to these groups that need specific consideration.

5.1.4 Triggers of comparison activity

We asked active consumers (i.e. those who had switched supplier, changed tariff, or compared tariffs in the last 12 months) what had triggered their decision to compare the tariff they were on with others available (Figure 5.2). Price related factors were most common (although percentages for all aspects are small).

One in ten of these consumers (10%) compared after looking at a money saving website, an increase since the 2014 baseline survey (6%). One in ten consumers also made a comparison after receiving an end of fixed term notice (10%) or a price increase notification (10%). For the latter this was a large drop compared to the baseline survey in 2014, mainly because price

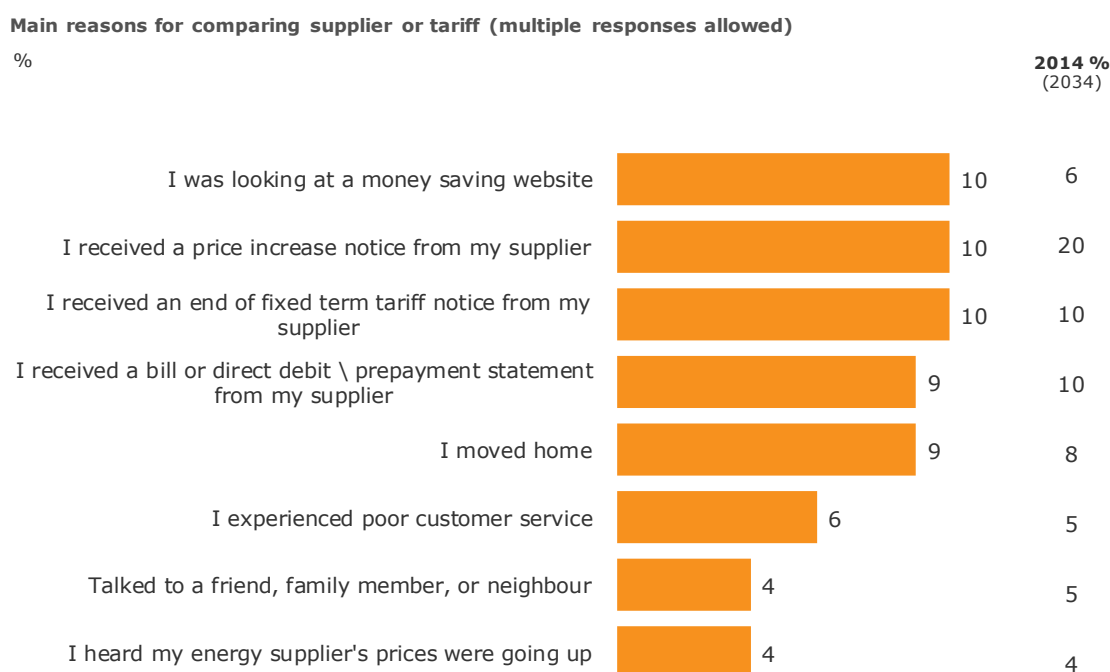
⁴⁹ Consumers could answer using whatever time period was intuitive to them, whether weekly, monthly or annually, and the results were then aggregated to give a value per annum.

⁵⁰ In 2014 these two options were included as a single response code in the questionnaire, but were split into separate codes in 2016.

increase notifications are now fairly uncommon due to the fact that tariff prices have decreased.

Additionally, 9% were prompted into action because they moved house, which could be termed more passive switching, compared to 7% in the 2014 baseline survey. Receiving a bill or direct debit statement also encouraged action from 9% of those who switched, changed or compared tariff. Those in the *Switched on* group are more likely to be prompted by an End of Fixed Term Notification letter (15%, 10% all consumers), however this may be because they are more likely to be on a Fixed term tariff than other consumers. The *Switched on* are also prompted into action if they were looking at a price comparison website (14%, 10% all consumers), which reflects their more frequent internet usage.

Figure 5.2 Reasons for comparing supplier or tariff in the last 12 months



Q.161 And what were the main reasons that caused you to do this?

Base: All who switched supplier, changed tariff or compared in past 12 months 2014:2034, 2016:2112

5.2 Consumer type

The way in which consumers interact and transact with energy suppliers can indicate their current and future engagement levels. We asked consumers who their energy supplier is and whether they are on a fixed term or online tariff, to better understand their experiences in the energy market.

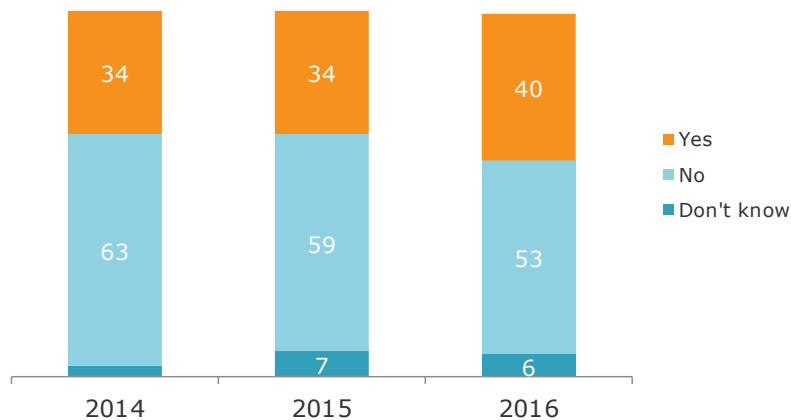
5.2.1 Online tariffs

As well as an increase in consumers using the internet to find deals and to switch, consumers in 2016 are also more likely to interact with their energy supplier through an online tariff. Thirty-four percent of consumers in the 2014 baseline survey were on an online tariff, rising to 40% in 2016.

Online tariffs may offer consumers better oversight of their energy consumption and spending, and often some of the cheapest tariffs on the market are available only online. Given this and their internet access profile, it is unsurprising that consumers in the *Switched on* segment are much more likely to be on an online tariff (70%) compared with those in the *Tuned in* (50%), *On standby* (31%) and *Unplugged* (21%) segments.

Figure 5.3 Proportion of consumers who are on and online tariff for gas/electricity

Online tariffs
%



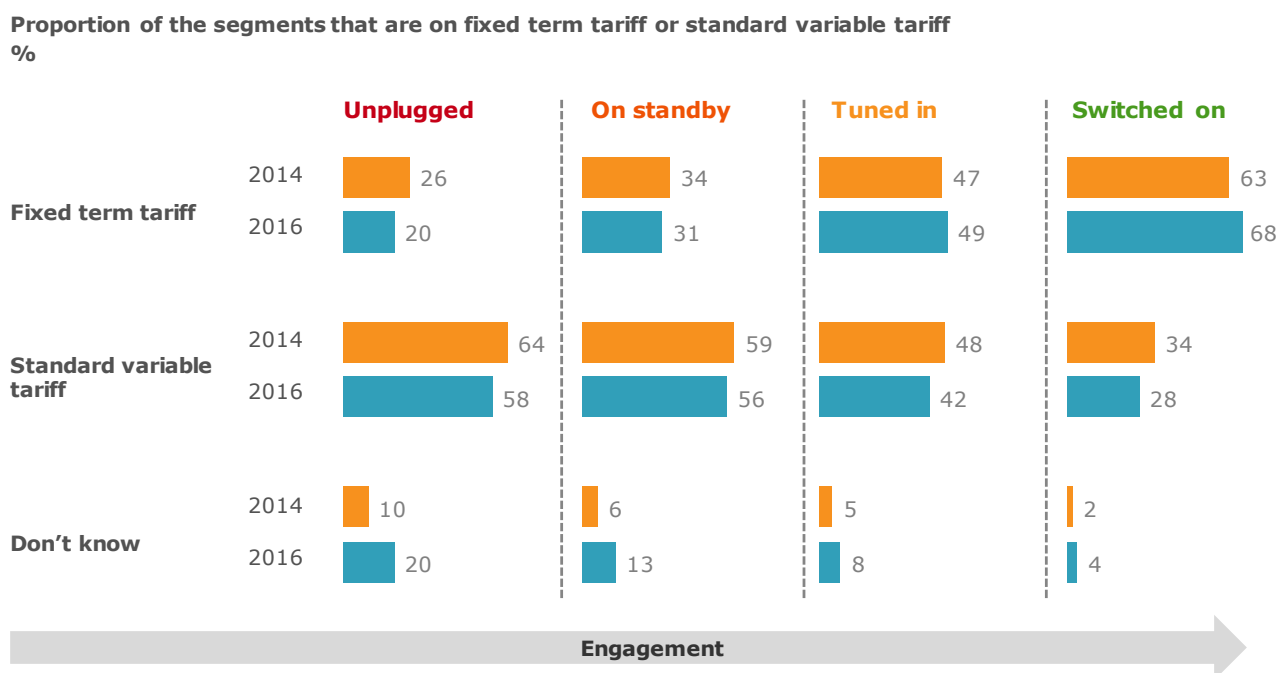
Q.10 Are you on an online tariff, that is, a gas, electricity or for both account that you manage over the internet?
Base: All who have gas and/or electricity supply and are responsible for it (2014:6151, 2015: 5934, 2016:5956)

5.2.2 Tariff Type

The type of tariff a consumer is on is also a reasonable predictor of how likely they are to be, or to have been recently, engaged in the energy market. Those on a fixed term tariff are more likely to be found in the more engaged groups, and this pattern has strengthened between 2014 and 2016, as Figure 5.4 shows.

Figure 5.4 below demonstrates the proportion of consumers on a fixed term tariff and separately those on a standard variable tariff, split by the four consumer segments. Although the proportion of the *Unplugged* group who report that they are on a standard variable tariff has fallen (58%, 64% in 2014), this is due to an increase in the proportion who don't know what kind of tariff they are on (20%, 10% in 2014). We also see the same pattern amongst the *On standby* group.

Figure 5.4 Proportion of customers on a Standard Variable tariff



Base: Q.11 All who have gas and/or electricity supply and are responsible for it (2014:6151, 2015: 5934, 2016:5956)

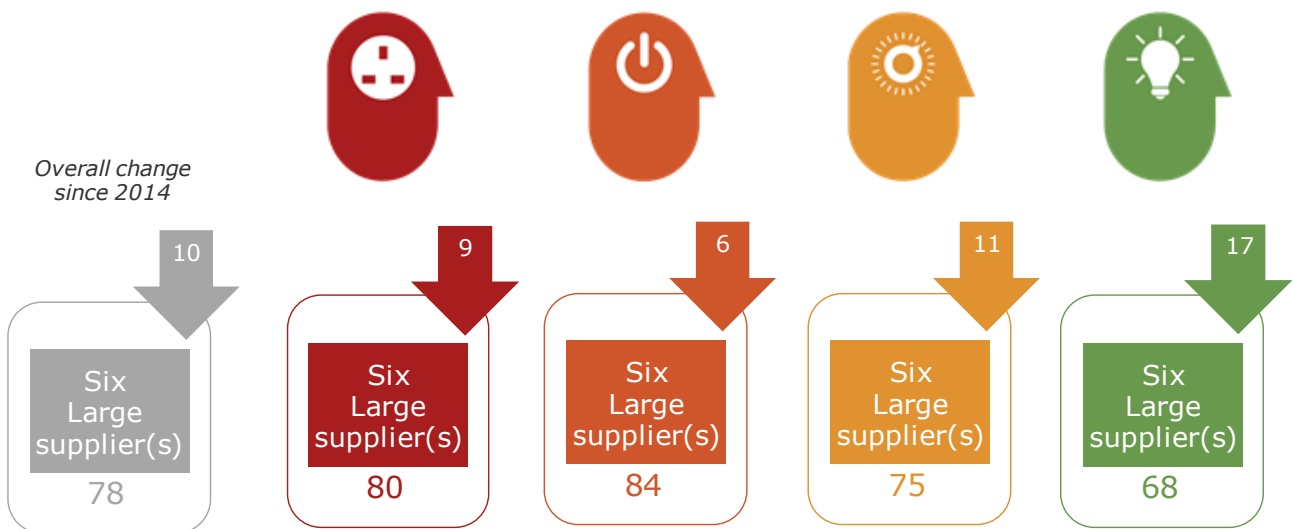
Consumers “stuck” on a standard variable tariff for some time have been identified by Ofgem (and by the CMA) as a particular area of concern. Overall, 48% of consumers in the 2016 survey report being on a standard variable tariff for their gas and/or electricity. The profile of this group shows it to be more disadvantaged, as they are more likely to be younger, in the DE social grade, renting in social housing and on a prepayment meter than those on a fixed term tariff. Consumers on a standard variable tariff are also more likely to agree that ‘financially things are a struggle for me’ (54%, 29% all consumers). Without knowing how long consumers in the study had been on a standard variable tariff, it is difficult to discern whether they are “stuck” on this tariff type or whether it is a temporary situation.

5.2.3 Suppliers

The energy market share held by the six large suppliers has fallen in recent years, and this is reflected in these survey results. Eight in ten consumers (78%) are still with one of six large suppliers; however, this is a 10% decrease since the 2014 baseline survey.

Consumers in the *Switched on* segment are the most likely to have moved away from one of the six large suppliers (68%, 85% in 2014). However, the proportion of the *Unplugged* segment that have their energy supplied by one of the six large suppliers has also fallen, by 9%, leaving the *On standby* group as the most likely to be with one of the six large suppliers. But the key pattern is the divide between those very or fairly engaged (the top two segments) and those much less or not engaged: those who are engaged in the energy market appear to have better taken advantage of the increased choice of suppliers offered to consumers now.

Figure 5.5 Proportion of customers with one of the six large suppliers



Base: Q.3/Q.4/Q.151 All who have gas and/or electricity supply and are responsible for it (2014:6151, 2015: 5934, 2016:5956)

5.3 General consumer attitudes and behaviours

Results suggest that for some consumers their engagement in the energy market may reflect their wider consumer behaviour and attitudes.

5.3.1 Switching in other sectors

Switched on consumers are more likely to have switched supplier for other services, such as a mobile or broadband provider. When asked if they had switched provider in the last 12 months for a range of services providers (current account, cash ISA, credit card balance transfer, mobile phone network, landline phone calls, internet/broadband provider), just over one third (35%) of the most engaged group said they had switched one of these in the last 12 months, compared to 15% of the *Unplugged* and 16% of the *On Standby* groups.

Figure 5.6 Proportion of customers who have switched one or more other services in last 12 months

% who have switched one or more providers



Q.120 For which, if any, of the following services have you switched your provider in the last 12 months?
Base: All who have gas and/or electricity supply and are responsible for it (2016:5956)

5.3.2 Attitudes to switching and the energy market

Consumers were asked to rate their agreement with a number of attitudinal statements on the energy sector. Those who are disengaged are consistently more likely to be negative in their attitudes towards getting a better deal, energy suppliers, and the market.

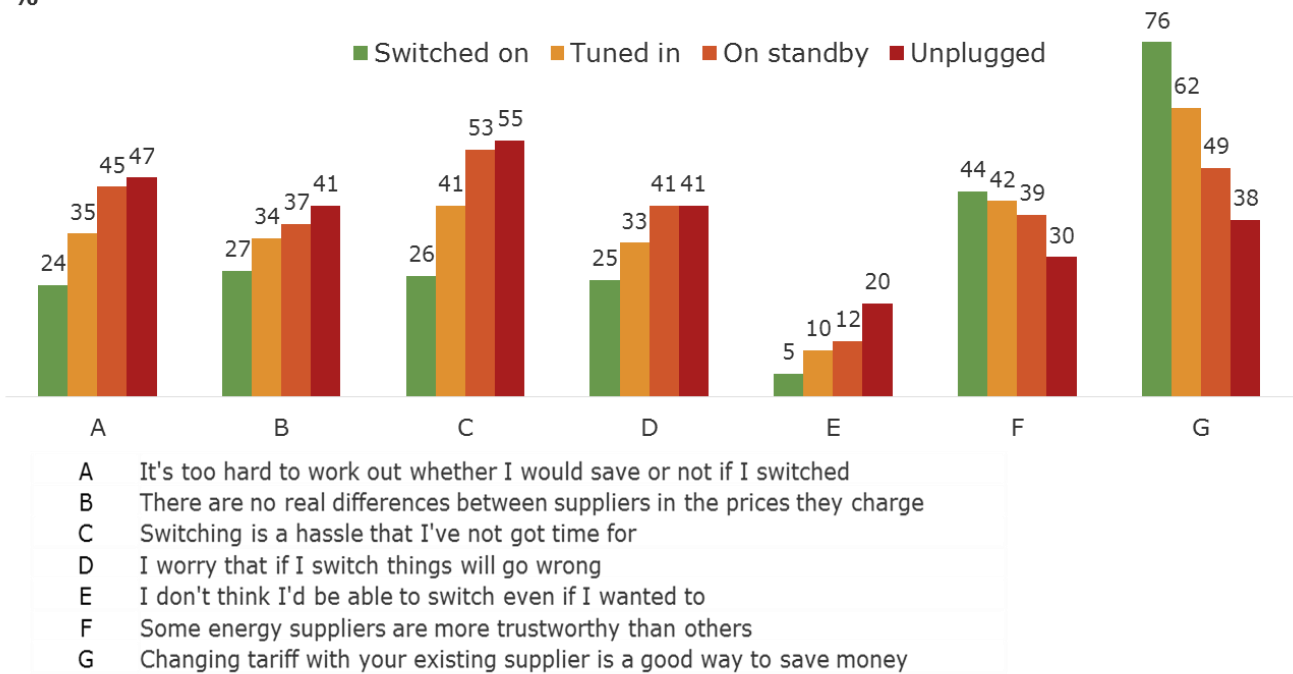
Those in the *Unplugged* segment were more likely to agree that switching is a hassle, that they worry something would go wrong if they switched and one in five agree that they are unable to switch (see Figure 5.7). It seems clear that the less engaged group perceive greater barriers to switching.

There is also a clear difference in attitude to price across the segments. Those in the *Unplugged* group are more likely to agree that there are no real differences between suppliers in the prices they charge, and that it's too hard to work out whether I would save if I switched. *Switched on* consumers are much more likely to agree that changing tariff is a good way to save money.

As we have seen, the most engaged groups are likely to accept a lower saving to prompt them to switch than the most disengaged. These most engaged groups are also more likely to be looking for savings, or to consider saving money as the reason for engagement in the energy market. Those in the *Unplugged* segment are likely to want to save more by switching, which may be because they perceive it to be more of an inconvenience. These differences in attitudes and expectations further the gap between the most and least engaged when it comes to likely action in the energy market.

Figure 5.7 Consumer attitudes to the energy market

Proportion of consumers who agree with each statement
%



Q.121 To what extent do you agree or disagree with the following statements about energy suppliers?
Base: All consumers (5956)

6. Final summary

Overall results present a fairly similar picture to 2014 – many consumers are still not engaged in the energy market and exercising their ability to get a better deal. But there have been improvements in some specific areas, such as awareness, ease of understanding information, trust and satisfaction, and the proportion of consumers active in the last 12 months has increased.

Around a fifth (21%) of consumers fall into the least engaged *Unplugged* group, and 15% into the most engaged *Switched on* group. The majority of consumers therefore sit in the middle groups and have a more passive approach to the energy market, whereby they might have engaged less frequently or to a more limited extent.

Consumers who do engage are more likely to be getting a better deal; broadly speaking the more engaged they are, the less they pay for their energy, and the more confident they are in their deal and their ability to navigate the energy market. Those who are engaged are typically those who will continue to do so – they have general attitudes that promote active consumer behaviour, they are able to access tools such as price comparison websites, they are more socio-economically advantaged and they have a level of awareness and information that helps them make informed choices.

Due to their attitudes and circumstances, engaged consumers are likely to perceive fewer barriers to getting a better deal in the energy market, and their primary motivation is likely to be price. These engaged consumers are more able to benefit from a more competitive market and innovative products as well as make use of tools like price comparison websites.

A fifth of consumers remain highly disengaged from the energy market. Overall this group are generally more inactive consumers, are more likely to be in disadvantaged circumstances and are more sceptical of the benefits of engagement. However, this group is not homogenous, and barriers to engagement will vary depending on the consumer. Whatever the reason for less engagement, it seems that the RMR remedies have not been sufficient to address their actual or perceived barriers to engagement.

Further analysis of the *Unplugged* segment shows there is an entrenched group of mainly older consumers who are (at least partially) unaware of their options and are not minded to change suppliers or tariff. There is also a cohort of younger disengaged consumers who are more likely to be aware of their ability to change supplier, tariff or payment method, and less likely to have negative attitudes towards the energy market. However, their living situation or lack of motivation appears to stop them from engaging. This group potentially presents an important opportunity for Ofgem to change behaviours and encourage greater engagement.

7. Appendix

Appendix A - Factors used to create the index of engagement

Factor	Points allocated	
Awareness that it is possible for energy consumers to... <ul style="list-style-type: none"> switch to a different supplier change their tariff with their current supplier change payment method with their current supplier 	aware of no options	0
	aware of one or two options	5
	aware of all options	10
Switching supplier	not switched supplier in last 5 years	0
	switched a supplier between 1 and 5 years ago	5
	switched a supplier in the last 12 months	10
Changing tariff with an existing supplier	never changed tariff with an existing supplier	0
	changed tariff with an existing supplier not in the last 12 months	5
	changed tariff with an existing supplier in the last 12 months	10
Changed payment method with an existing supplier in the last 12 months	not changed payment method	0
	changed payment method	10
Compared tariff with those offered by other suppliers, or with any others available with existing supplier in last 12 months	not made any comparisons	0
	made any comparisons	10
Contacted a current or previous energy supplier in the last 12 months to complain or for something other than a complaint or routine meter reading	did not make any contact	0
	made contact	10
Contacted another energy supplier in last 12 months	did not contact another energy supplier in the last 12 months	0
	contacted another energy supplier in last 12 months	10

Factor	Points allocated	
Amount of detail consumer read the following communications received in last 12 months:	read no communications	0
<ul style="list-style-type: none"> • Annual Summary • Bill or direct debit/ prepayment statement 	glanced over/skim read at least one communication	5
<ul style="list-style-type: none"> • Price increase notice • End of fixed term letter 	read at least one communication in detail	10