

## POLICY ISSUES PAPER – CONTROL SHEET

Title of Paper	<b>Consumer Awareness Campaign Strategy</b>		
DA Issue Ref	xxx	Date:	21 October 2016
Issue Owner (Accountable)	James Crump		
Author of Paper (Responsible)	Fatima Zaidi		
Status of Paper	4 – Draft for submission to EDAG (For Information) 5 – Final Recommendation to DA		
Timing	Planning of an awareness campaign would need to take place ahead of DBT phase, to allow time for planning and delivery. It should be coordinated with the Transition Strategy		
Dependencies			

Circulation	Workstream Leaders / Design Team / User Group / EDAG / DA Huddle / Website
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Issue	What is the most effective way to make customers aware of the benefits brought by the Switching Programme?		
Impacts Domestic?	Yes	Impacts Non-Dom?	Yes
Policy Objective (and reference to ToM v2)	ToM v2 states that “The Switching Programme will support the delivery of a consumer awareness campaign so that consumers know that the new switching arrangements are in place.” (p55, para 12.33)		
Previous Positions on this/related Issues			
Summary of Recommendations	<p>The development of a customer awareness strategy should continue to form a part of the delivery strategy for the programme in order to ensure that consumers are best informed of these benefits.</p> <p>The objective of a consumer awareness strategy should be to increase consumers’ confidence that switching arrangements will be reliable and will deliver benefits.</p> <p>Ofgem should continue to refine the options and costs of different models, with a view to consulting as part of our Blueprint consultation at Design Baseline 3.</p>		

Internal and External Engagement
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<b>Meetings at which this paper has been discussed</b>	
Workstream Leaders	<i>Insert date of meeting, key points (e.g. recs agreed) and reference to minutes etc.</i>
User Group	<i>Ditto</i>
EDAG	<i>Ditto</i>
Other External	<i>Ditto</i>
Ofgem Design Authority	<i>Ditto</i>

## POLICY ISSUES PAPER – CONTENT

### Issue

1. In order for competitive retail markets to function effectively in regulated industries, consumers must be aware of the benefits of switching provider and confident that it will be worthwhile for them. The Switching Programme aims to improve consumers' experience of switching by making the process faster and more reliable. In order for the programme to have the greatest beneficial effect in the retail energy market, consumers must be made aware of these improvements and confident that switching supplier can bring benefits without undue hassle.
2. The Switching Significant Code Review (SCR) stated that delivery of a consumer awareness campaign fell within the scope of the Switching Programme, and that Ofgem would "explore how and who will undertake this activity during the Blueprint Phase".<sup>1</sup> However, it noted that the campaign is not expected to be delivered through changes to industry code obligations, and is therefore within scope of the Switching Programme but not the scope of the SCR.
3. This paper will assess how a consumer awareness campaign might be delivered and propose some potential options for delivery, based on an assessment of the Switching Programme and similar campaigns within and beyond the energy sector. At present we anticipate that any campaign will be developed up to the conclusion of the Design, Build and Test (DBT) phase, with delivery to occur either concurrently with or following go-live.

### Essential Background

4. Version 2 of the Target Operating Model (TOM) states that "the Switching Programme will support the delivery of a consumer awareness campaign so that consumers know that the new switching arrangements are in place".<sup>2</sup> One respondent to Ofgem's consultation on the Target Operating Model emphasized the need for a campaign targeted at inactive energy consumers, arguing that:

"a consumer awareness campaign will be critical to ensuring that the initiative encourages more people to switch and thus delivers the monetised benefits listed by Ofgem in its decision document ... There is widespread evidence that switching in the energy market is restricted to a minority of active consumers, and that many consumers do not switch regularly or have never switched... We are concerned that without a campaign targeted at inactive energy consumers this will not change and non-switching households will potentially foot the bill for a policy initiative that they do not benefit from. In order to make the campaign as effective as possible, we would encourage Ofgem to consider how they might encourage suppliers to integrate it into their normal customer engagement and marketing messages, and how trusted intermediaries to

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<sup>1</sup> SCR launch statement at [https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/switching\\_scrlaunch\\_17112015.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/switching_scrlaunch_17112015.pdf)

<sup>2</sup> Target Operating Model v2 at [https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/tom\\_v2\\_final\\_17112015\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/tom_v2_final_17112015_0.pdf), p55.

audiences currently disengaged from the market could best be utilised to spread the message about a significantly more attractive switching process.”<sup>3</sup>

5. The respondent’s view that many consumers do not switch regularly or have never switched is reflected in evidence. For example, Ofgem’s 2014 State of Market assessment revealed that 62% of consumers could not recall ever having switched,<sup>4</sup> and the CMA’s research for its 2016 investigation into energy markets, which found that 34% of consumers contacted had never considered switching.<sup>5</sup>

### *Impact on Delivery Strategy*

6. Arrangements for transition between the existing switching arrangements and the new Switching Programme will affect the preferred strategy for consumer awareness. A successful transition will depend on the certainty that industry systems underpinning the new switching service are robust and equipped to manage demand from the launch.
7. The likely impact on early–stage demand for switching and transition should be considered as part of any communications strategy. The switching service must be robust enough to withstand demand by customers, and a ‘spike’ in demand at go-live before new arrangements are sufficiently robust to cope may result in performance issues for the new service. Conversely, an awareness campaign delivered before the transition to the new switching arrangements is complete could mean that customers did not receive the expected benefits (i.e. switching would not be delivered the next day, and measures to improve reliability might not be in place). Both of these events could result in customers losing confidence in the overall Switching process. However, a consumer awareness campaign delivered significantly after ‘go-live’ could mean that consumers are not aware of the benefits of faster and more reliable switching that are available to them, with an associated potential loss in welfare. With this in mind, the timing of a customer awareness strategy may be considered alongside the transition strategy and as part of post-implementation planning for the immediate period following go-live for the new arrangements.
8. We have published a separate Transition Strategy outlining the proposals for moving the industry from the existing switching arrangements to faster and more reliable switching. There are two broad options for transition: a ‘big bang’ and phased launch. Our current base case for transition is a phased approach with delivery of functional components taking place in two phases, rather than delivery of the whole solution to different regions or types of customer on an incremental basis. In this case, any customer awareness programme should be timed to reflect the delivery of these functional components.

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<sup>3</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2015/07/citizens\\_advice\\_response\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/07/citizens_advice_response_0.pdf)

<sup>4</sup> State of the Market Assessment at <https://www.ofgem.gov.uk/ofgem-publications/86804/assessmentdocumentpublished.pdf>

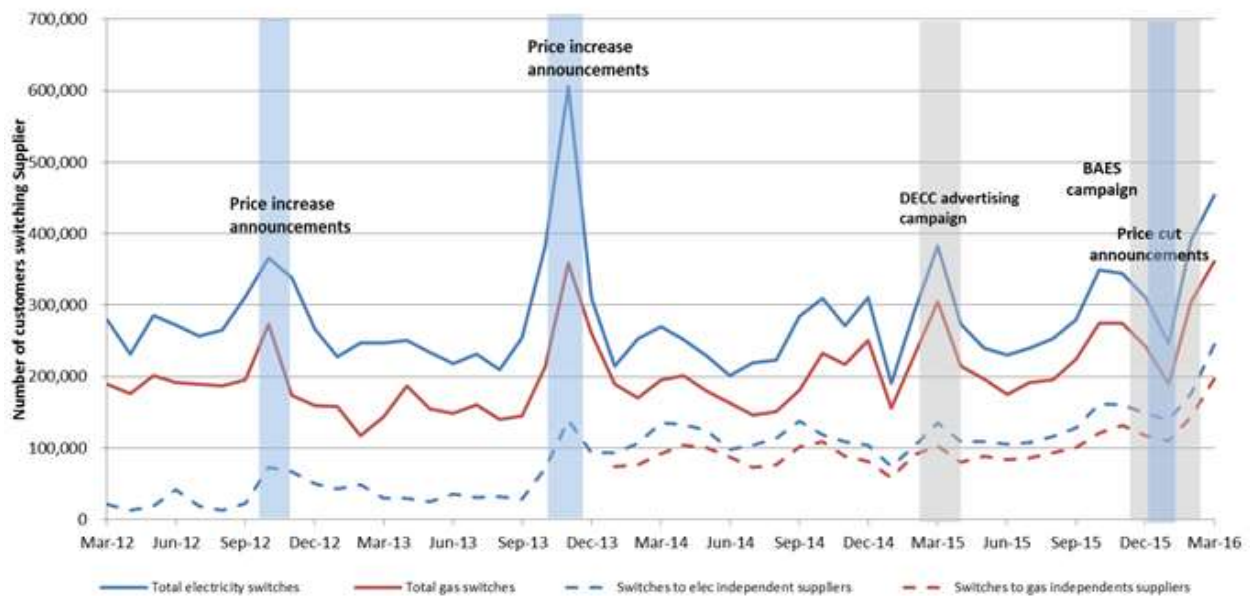
<sup>5</sup> Summary of CMA’s Provisional Decisions at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/506949/Energy\\_PDR\\_Summary\\_March\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/506949/Energy_PDR_Summary_March_2016.pdf)

- Given that any customer awareness campaign will need to be developed well in advance of a go-live date for any new switching arrangements, 'message discipline' (ensuring that the benefits of the switching service are announced in accordance with campaign timelines) will need to be maintained prior to go-live by a number of stakeholders (including external parties such as suppliers and third party intermediaries, who may have incentives to be the first to use any switching promise in their materials, and consumer bodies and government agencies). In addition, any multi-media campaign would need to be programmed and therefore any delay in launch incurred late in the programme would mean that this activity would not be effective, or may create a demand for a service that was not ready.

## Analysis

- Figure 1 shows historic levels of switching in the energy market over the last four years. When adjusted for seasonality, switching levels are broadly static, with 'spikes' in the number of customers switching supplier occurring around changes in prices. However, Figure 1 shows that increases in switching have occurred where it has been promoted by media campaigns.

*Figure 1: Numbers of customers switching supplier*



*Source: Ofgem analysis (based on supplier data)*

- Below we provide an analysis of consumer engagement campaigns in energy and other sectors, and identify if any learnings can be inferred from their performance.

### *Objectives of a switching consumer awareness programme*

12. It is important to set clear objectives for a consumer awareness campaign and identify measurable targets for the campaign. Whereas the objective of the Switching Programme as a whole is to deliver faster and more reliable switching, the aim of the consumer awareness campaign should be to improve the willingness of consumers to consider switching. This would indicate increasing confidence in the ability of switching to bring benefits and the reliability of the switching process. To be truly successful, the campaign should induce behavioural change rather than merely driving awareness of a switching product. As Figure 1 demonstrates, switching activity is typically driven by factors other than consumer awareness alone.
13. A metric of consumer confidence in switching should be developed and measured in order to gauge the success of the consumer awareness programme. This metric would need to measure consumers' confidence in the ability of switching in general to provide them with better outcomes ahead of launch (as opposed to confidence in their current supplier, as is currently measured), and also at suitable intervals following launch of the Programme. This could be achieved by tailoring existing Ofgem-led surveys regarding customer engagement. These existing surveys contain questions around familiarity with tariffs offered, the customer's confidence that they are on the best tariff, and whether the customer has switched in the past, but do not specifically ask whether the customer has confidence in the switching process itself and as such would have limited use to assess the objectives of the programme as set out above. Even then, measurement of customer confidence would be subject to external 'noise' influencing opinion (for example if it coincided with a round of price increases).
14. A target audience should also be identified ahead of the design of a consumer awareness strategy. The intention of the Switching Programme is to make switching faster and more reliable for all consumers, so the target audience may be as broad as this and a campaign designed and planned accordingly. Other marketing campaigns for switching products (such as that for the Current Account Switching Service, below) were targeted at encouraging all retail consumers to consider switching. Alternatively, the campaign might target groups within the retail market, such as those who are perceived as being unlikely to switch (although such groups would need to be identified first).

#### *Be an Energy Shopper*

15. The '*Be an Energy Shopper*' (BAES) campaign was launched by Ofgem in 2014. The campaign's aim was to empower and encourage customers to find better deals by making energy shopping simpler. As part of the campaign, a *Go Energy Shopping* website was created to provide consumers information about comparing tariffs and making tariff comparison easier<sup>6</sup>. The campaign was developed and funded in-house by Ofgem and took one year to plan and launch. The initial spend on initiation of the campaign was £314,000 (excluding Ofgem staff costs).

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<sup>6</sup> <https://www.ofgem.gov.uk/press-releases/21-million-brits-missing-trick-shopping-better-energy-bills>

16. Ofgem’s own research has found that the campaign has been successful in driving switching behaviour amongst those who have accessed the website. Since launch there have been 1.2 million visits to the website with 191,800 energy customers having taken action. The primary reason for consumers visiting the site was to get more information about how to engage with the market (to compare using the price comparison tool or switch).
17. Table 1 below details from where customers arrived at the *Go Energy Shopping* website, based on a survey of users. Almost half of all respondents arrived via a link from another website. Examples of ‘Other’ sources included internet searches, the Ofgem website, Citizens Advice, suppliers’ bills, and Facebook. Whilst the scale of the campaign, and resources available, meant that multimedia promotion of the campaign was out of reach and therefore campaign visibility may be limited, this demonstrates that reaching consumers without extensive advertising spend is possible.

*Table 1 Be an Energy Shopper*

Source	Percentage (number of responses)
Link from another website	48% (126)
Other (examples above)	19% (51)
Leaflet	15% (39)
Newspaper or magazine article	9% (23)
TV	6% (15)
Recommendation	6% (15)
Radio	2% (5)
Twitter	0.5% (1)

Source: Ofgem analysis

18. Figure 1 shows that launch of the campaign occurred around a series of price cuts, which may make the impact of the campaign difficult to identify. However, the campaign does provide an example of how to create an impact with a small budget and using resources which are already available, without using licence changes to create a specialised marketing body.

### *Power to Switch*

19. In February 2015, Department for Energy and Climate Change (DECC)<sup>7</sup> launched the ‘Power to Switch’ campaign. Power to Switch was a multi-media campaign encouraging energy customers to switch energy supplier and highlighting the possibility of saving money. Bespoke creative campaign was created and funded by central government, with the campaign taking six weeks to plan and launch. The campaign generated more than 350,000 visits to Ofgem’s Be an Energy Shopper website. In response to a Freedom of Information request, DECC claimed that more than £38 million was saved by 130,000 households switching energy supplier in one month of the campaign, with an

<sup>7</sup> DECC was replaced by the Department for Business, Energy and Innovations Strategy in 2016.

80% increase in the number of households switching from the previous year, with an “193% increase in total savings”.<sup>8</sup>

20. Of the campaign’s final spend of £4.7 million, over £4 million was spent on advertising spend. The split by media channel is shown in Table 2.

*Table 2 Power to Switch: Spending by channel*

<b>Channel</b>	<b>Spend (£000)</b>
TV	1,336
Video on Demand	142
Press	747
Out of home (posters)	1,054
Radio	400
Digital display	165
Biddable digital	200
Others	15
<b>TOTAL</b>	<b>4,059</b>

Source: DECC<sup>9</sup>

21. Ofgem’s analysis (Figure 1) shows a contemporaneous increase in switching occurring alongside the Power to Switch campaign, with a spike in switching occurring in springtime, where in previous years switching rates had been flat. However, after the end of the campaign, there has been little evidence of a sustained uplift or evidence of lasting behavioural changes in consumers. In their assessment of competition in the retail banking sector, the CMA cited a fall in energy switching following the Power to Switch campaign as an example of the need for sustained advertising over a longer time span to drive lasting behavioural change.<sup>10</sup>
22. Table 2 shows the Power to Switch’s media expenditure, highlighting that an extensive multimedia campaign comes at a high cost even when sustained for a short period of time. In the absence of significant government funding, such a campaign around the Switching Programme would have to be funded from within the industry.

### *Energy Switch Guarantee*

23. The Energy Switching Guarantee was developed in 2016 by suppliers and Energy UK, working in partnership with the Department of Energy and Climate Change (DECC). The guarantee aims to reassure consumers that their switch will be completed within 21 days, that supply will be continuous, that billing will be settled by the gaining supplier and that the customer will not be

<sup>8</sup> <https://www.whatdotheyknow.com/request/260158/response/641977/attach/3/FOI%202015%2006459.pdf>

<sup>9</sup> <https://www.whatdotheyknow.com/request/260158/response/650268/attach/html/3/FoI%20DECC%202015%2007832.pdf.html>

<sup>10</sup> [CMA Retail Market Investigation Provisional Decision on Remedies 2016, p156](#)



charged twice. Under the Guarantee, the new energy provider will arrange the switch and contact the current provider. The Guarantee has its own branding which participant suppliers are able to use in any promotional materials.

24. To date the Energy Switch Guarantee has only been given a 'soft launch', and as such media exposure is a work in progress. Unlike the Current Account Switching Service (see below), not all major suppliers in the market subscribe to the Energy Switching Guarantee: as at October 2016, ten suppliers are participating, including four of the six largest providers.<sup>11</sup> However, other suppliers have indicated a willingness to subscribe to the Guarantee.

### *Smart Energy GB*

25. Smart Energy GB (SEGB) is the marketing arm of Smart Meter Installation Programme (SMIP). Its objective is to increase consumer confidence in installation of smart meters, awareness and the willingness to use smart metering systems.<sup>12</sup>
26. SEGB has developed a Consumer Engagement Plan and initiated research to understand consumer attitudes towards energy use. This work has developed a customer segmentation model based on relevant consumer attitudes. This segmentation model helps SEGB to identify groups who may be more or less receptive to smart metering and tailor their activity accordingly, including tailoring content to be most effective in reaching particular audiences. Campaign activities include undertaking extensive public engagement through stakeholder events, dialogue in online, print and electronic media (local and national), and a consumer facing website that also includes a search engine.<sup>13</sup>
27. Besides direct and multi-media marketing, SEGB also employs a 'partnership marketing' strategy, collaborating with other organisations (for example charities and consumer groups) to reach targeted audiences.<sup>14</sup> The Switching Programme also could use this partnership strategy with or without an organised campaign to help create awareness especially in groups that are hard to reach.
28. As the smart meter installations gain pace, the Smart Energy GB campaign aims to expand its communication activities through channels including radio, online platforms, television and outdoor advertising as well as seeking earned media opportunities and increased partnership working.<sup>15</sup> The campaign is expected to peak in 2018-2019 and run till 2020. Based on the current timetable for delivery, this would mean that the campaign would be expected to peak around the expected go-live date of the Switching Programme.

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<sup>11</sup> At <https://www.energyswitchguarantee.com/signatories/>, retrieved 11 October 2016

<sup>12</sup> [Smart Energy GB Annual Report 2013](#)

<sup>13</sup> [Smart Energy GB 2014 Consumer Engagement Plan](#)

<sup>14</sup> [Smart Energy GB 2015 Consumer Engagement Plan](#)

<sup>15</sup> [Smart Energy GB Annual Report 2015](#)

29. Smart Energy GB was created through licence modifications, mandating suppliers to establish and fund a subsidiary organisation to market the Smart Metering Programme. A summary of its expenditure is given in the table below. This highlights the cost (and the extent of the logistical challenge) of a sustained multi-media campaign.

*Table 3: Smart Energy GB Budget for Campaign Activities*

<b>Summary of spending by activity<sup>16</sup></b>	<b>2015 £000</b>	<b>2016 £000</b>
Multi-channel public education & engagement campaigns	11,358	25,240
Research	432	-
Digital activity	1,224	1,491
Partnership working (including local groups and charities)	5,601	4,686
Local events	300	-
Stakeholder communications (including events)	650	-
Media activity	1,133	-
Capital costs	20,698	36,104
Evaluation and Insight	-	1,797
Stakeholder and Media Engagement	-	2,470
Contingency	-	420
<b>TOTAL</b>	<b>41,396</b>	<b>72,208</b>

Source: Smart Energy GB Annual Budget 2015; Smart Energy GB Annual Budget 2016

### *The Current Account Switching Service*

30. The Current Account Switch Service (CASS) was launched by Bacs in September 2013 with the backing of HM Treasury.<sup>17</sup> The aim of CASS is to make switching between providers of current accounts in the retail banking sector easier and more reliable (meaning that the aims of the programme are directly analogous with those of the energy Switching Programme). Like Bacs itself, CASS is owned by its participant banks, with all members having a stake in decision making. HM Treasury have set targets for awareness of and confidence in CASS to measure effectiveness of communications activities.

31. Bacs have developed a twofold customer engagement strategy for CASS: to build the CASS 'brand' and to develop a Switch Guarantee to build customer confidence. In the case of the former, a brand identity for the CASS service has been developed for use by banks providing the service, who were encouraged to ensure that their marketing campaigns were compliant with the CASS Brand Guidelines.<sup>18</sup> For the latter, a Switch Guarantee reassures customers that the switch will be complete within seven working days, that any issues with transferring monies or payment services will be resolved by the switching banks, and that the switch will be handled by the gaining bank on

<sup>16</sup> Note that expenditure types listed by Smart Energy GB vary from year to year.

<sup>17</sup> [https://assets.publishing.service.gov.uk/media/5655cb8940f0b60367000007/Bacs\\_response\\_to\\_PFs.pdf](https://assets.publishing.service.gov.uk/media/5655cb8940f0b60367000007/Bacs_response_to_PFs.pdf)

<sup>18</sup> [BACS Response to CMA Retail Market Investigation](#) can be found here.

behalf of the customer.<sup>19</sup> The Switch Guarantee was seen as central to addressing the customer's need for certainty that the switching process could be reliable.

32. A £2.8 million public awareness campaign was launched in 2015 on FCA's recommendation. It included campaign activity across TV, press and digital channels which also targeted market segments with lowest switching rates, such as SMEs.<sup>20</sup> Since the launch of this campaign, Bacs and other participants in CASS have decided that a brand-led campaign requires sustained advertising spend across platforms to induce behavioural change, and participating banks and building societies have committed to increase the advertising spend by £9.2 million, coupled with a change in creative focus to emphasise reliability of the revised switching arrangements.

33. The existing Energy Switch Guarantee (see above) is similar to the Switch Guarantee provided within CASS. However, unlike the current account service, the Energy Switch Guarantee as yet does not have the participation of (effectively) the entirety of the market in which it operates, although non-participating suppliers have indicated a willingness to do so.

34. Bacs' communication campaign strategy is based on three 'pillars' of activity:

- *Paid Media*: Campaign activity directly from CASS using paid advertising. This includes promotional activity on TV, radio, digital and social media.
- *Owned media*: Communications channels that are the property of CASS or the participant banks and building societies such as the CASS website, price comparison websites, apps and existing current account acquisition and retention activity from participants.
- *Earned media*: Campaign activity from CASS to extend the reach of the campaign including public relations, public affairs, stakeholder engagement, third-party influencer recruitment and strategic partnerships.<sup>21</sup>

35. Whilst the three pillars are complementary, Bacs' use of owned and earned media provides an indication of how a consumer strategy around the Switching Programme might make use of other channels without extensive outlay on advertising. The Switching Programme can encourage suppliers to integrate its message into their existing marketing activities, much in the way that the Switch Guarantee is used by banks as a focal point of their advertising of current account products. (It should be noted that in this case, the definition of 'owned' and 'earned' media may differ from that used by Bacs, given that CASS and Bacs themselves are in effect owned by participant banks, whereas the Switching Programme is independent of participating suppliers.)

36. The FCA published its review of CASS in March 2015. It found that whilst the majority of consumers who switched had a positive experience, awareness and confidence in CASS was below the target

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<sup>19</sup> [https://assets.publishing.service.gov.uk/media/5630c500ed915d566d000006/Appendix\\_7.pdf](https://assets.publishing.service.gov.uk/media/5630c500ed915d566d000006/Appendix_7.pdf)

<sup>20</sup> [https://www.bacs.co.uk/documentlibrary/cass\\_switch\\_report\\_1\\_march.pdf](https://www.bacs.co.uk/documentlibrary/cass_switch_report_1_march.pdf)

<sup>21</sup> [BACS response to CMA's Retail Banking Investigation](#)

set by HM Treasury, with only 41% of consumers and 47% of small businesses being aware of CASS (against a target of 75%).

37. The CMA also highlighted the need to raise confidence in CASS in its provisional decision on remedies in its review of retail banking competition.<sup>22</sup> The CMA's evidence suggested that 55% of customers considered that switching was a 'hassle' and 42% fear that something 'may go wrong' during the switch, suggesting that the marketing campaign for CASS had not yet been successful in transforming customers' views of the market.
38. The CMA has also argued that raising awareness of and confidence in CASS requires sustained investment over time. A short-term promotional campaign will provide an initial boost, but it is important that promotion in the long term is considered so as to avoid a decline in customer awareness as soon as any initial campaign ends.
39. Both the CMA and FCA recommended that marketing should be targeted at groups where awareness of CASS was low; where switching rates were typically lower than in the general population, or who could benefit most from switching. The CMA highlighted that:

“...mass promotional activity similar to that required to raise awareness of and confidence in CASS is unsuitable to raise awareness of the benefits or rewards of switching, because the value of any such rewards, whether financial or related to service or quality, are likely to be specific to each customer and therefore difficult to communicate via a mass campaign”.<sup>23</sup>
40. CASS is also investigating the possibility of providing a way for customers to track their progress during the 7-day switching process to further strengthen consumer confidence.<sup>24</sup>

## Options

41. Based on our analysis above, we have identified three possible routes for developing a consumer awareness campaign for the Switching Programme. We anticipate that these options will be revisited when an appropriate degree of certainty around 'go-live' for the Switching programme as a whole is secured, and no later than the commencement of the Design, Build and Test phase. During the Design, Build and Test phase, appropriate resources should be secured to develop and build a plan for an awareness campaign and materials for that campaign, depending on which of the options below is chosen. The exact design (including any creative design) of the customer awareness campaign will be developed at this stage.
42. This design will include targeting and identifying an audience for this campaign. At the highest level, this will include all energy customers in the UK who are eligible to use the new Switching

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<sup>22</sup> [CMA Retail Market Investigation Provisional Decision on Remedies 2016](#)

<sup>23</sup> [CMA Retail Market Investigation Provisional Decision on Remedies 2016](#)

<sup>24</sup> [https://www.bacs.co.uk/documentlibrary/cass\\_making\\_account\\_switching\\_easier.pdf](https://www.bacs.co.uk/documentlibrary/cass_making_account_switching_easier.pdf)

arrangements, but exactly how this is reflected in the design of the campaign will depend on the resources available and the channels used to reach the public. If resources are limited, for example, it may be decided to focus consumer awareness on reaching groups who are unlikely to switch (for example those identified by a database of 'sticky' customers, as proposed by the CMA's energy market remedies).

43. We consider that all three options below could potentially contribute to the aim of achieving a measurable increase in consumers' confidence in switching. We would expect tools for measurement of confidence to be put in place for each of the measures below. The level at which targets for an increase in consumer confidence in switching are set is likely to depend upon the resources committed to the campaign, and the priorities of government.

44. The three options are:

*Option 1: Do minimum*

45. The switching service would be launched with minimal public fanfare and without an organised media campaign or a decision to incorporate the switching arrangements into an existing programme.

46. A 'do minimum' approach would not necessarily preclude some consumer awareness activity. This might include production of press releases, making materials available to industry bodies to use as they see fit, and stakeholder outreach such as engagement with consumer groups, government or legislators to coincide with launch. However, this would mean that an increase consumer awareness of the new arrangements would ultimately depend on decisions by parties outside the Switching Programme or energy industry. Funding of such resources would be met from the existing resources of the Switching Programme itself and within Ofgem's communications team.

47. Effective deployment of these resources could be successful in promoting the Switching Programme, although they would be unlikely to have the same impact as a well-planned multimedia campaign. These resources could also be targeted at groups which are traditionally resistant to switching, especially when combined with other resources (for example the proposed database of static consumers proposed by the CMA's energy market remedies). Customers switching would still find that the process progressed more rapidly and securely. However, by not increasing the resources available to Ofgem to active promotion of the new arrangements, the launch of the new switching arrangements may represent a missed opportunity to create a step-change in consumer awareness of the benefits of switching.

48. It is reasonable to assume that expenditure on consumer awareness activity will have a positive impact on awareness of the benefits of the switching programme. A 'do minimum' approach would be likely to result in lower levels of public awareness than other approaches, although it is possible that some benefits may accrue from marketing activity (including direct marketing) from suppliers

and third party intermediaries, the effects of this would be unpredictable and would not be attributed to activity by the Switching Programme itself.

*Option 2: Incorporate the new switching arrangements into an existing switching campaign*

49. Existing resources designed to promote switching could be modified or adopted to promote key messages from the Switching Programme. Capitalising on an existing campaign would allow the benefits of the Switching Programme to be advertised using established channels for stakeholder engagement and digital and online platforms. This approach could help to sustain a campaign in order to produce an enduring improvement in consumers' confidence in the switching process, rather than a short term 'spike' in switching levels, whilst consuming fewer resources than a bespoke campaign (see below).
50. A consumer-facing message regarding the new switching arrangements would be developed and delivered using existing mechanisms developed by the established campaigns. This would enable the Switching Programme to capitalise on established relationships with partner organisations (such as consumer groups or suppliers) and other intermediaries. However, for this approach to be effective the Switching Programme's message must align with the purpose of the original campaign, otherwise there is a risk of reducing clarity of message and causing both campaigns to become confused. Care must be taken to ensure that consumer-facing materials produced are suitably nuanced and deliver a clear and coherent message which reflected the aims of an awareness campaign.
51. On first appearance, the Switching Programme's objective of delivering faster and more reliable switching is well aligned with those of BAES and the Energy Switch Guarantee, making them suitable vehicles for an awareness campaign designed to increase awareness and confidence in switching. Neither of these existing programmes has to date used extensive multimedia advertising, but both have well established online presences (which are intended to continue) and are promoted to customers by market participants.
52. Be An Energy Shopper has a well-established website which has gained some traction with consumers. It is also owned by Ofgem, so it would be relatively easy to ensure that the aims of the programme reflected the key aims of the Switching Programme.
53. The Energy Switch Guarantee provides an established 'brand' identity, independent of Ofgem, which could be capitalised upon by the Switching Programme. However, not all suppliers are currently signatories to the Guarantee, whereas all suppliers participating in the market would be required to use the Switching Programme arrangements in order to participate in the retail market. The Switching Programme would need to engage with Energy UK and participants in the Energy Switch Guarantee scheme to consider how the switch guarantee scheme could adapt to reflect faster and more reliable switching, and the messaging implications.

54. A further option could be to use SEGB for an integrated smart metering and switching campaign. SEGB's campaign activity is expected to run until 2020, meaning that messaging around the Switching Programme could be incorporated if it goes live in 2019 as currently planned. Whilst this would potentially allow some TV advertising spend to be diverted towards the Switching Programme, the aims of the Smart Metering Implementation Programme (technical rollout of hardware installation to consumers) are somewhat different from those of the Switching Programme, meaning it may be harder to ensure message coherence. In addition, licence conditions which require industry funding of SEGB specify that its aims should be related to rollout of smart meters, meaning that further changes to licence conditions (which Ofgem has stated it is not minded to implement) would be required to change its purpose.

### *Option 3: Bespoke Campaign*

55. A bespoke, multi-media consumer awareness or advertising campaign for the new switching arrangements, along the lines of that developed for the Smart Energy GB or the Current Account Switching Service, could be developed for the campaign, independently of other campaigns in the energy sector and in addition to the activity outlined in the 'Do Minimum scenario above. An independent campaign could be tailored to ensure that the overall message reflected the aims of the objectives of an awareness campaign as set out above (i.e. building confidence amongst consumers that switching will be reliable and will bring benefits). Expenditure on paid advertising would be used to fill gaps missed by owned and earned media activity (using the CASS definitions above).

56. Previous campaigns such as Power to Switch and CASS have demonstrated that advertising spend can have some impact on switching activity, at least for the duration of the advertising campaign. A well-researched, large scale campaign could promote awareness of the switching 'brand' but could also target specific market segments that are least likely to switch or could benefit the most from switching.

57. However, to create even a small bespoke campaign would require outlay on creative design, procurement of advertising space, a programme of engagement with the media and media planning, and other associated costs of marketing the scheme. Such a campaign would need to be funded by the industry itself or by government. The duration, form and reach of such a campaign would depend on the level of funding available from these sources. Ofgem has already stated in the SCR launch statement that we do not expect the campaign to be delivered through changes to industry code obligations, and whilst an appeal could be made to government to fund a campaign in the manner of Power to Switch, it would be competing for scarce funding with other public awareness campaigns.

58. The cost of a bespoke campaign would vary with the mix of media activity chosen, but a large scale campaign such as that adopted for CASS or Power to Switch would require millions of pounds to procure and plan if a mix of TV and outdoor advertising is chosen. A lower budget may limit the potential channels for advertising and media exposure of any campaign and hence its visibility.

59. The task of designing and planning a multimedia campaign for Smart Metering has necessitated the creation of SEGB as a specialised marketing body. Creation of a similar organisation, or to make changes to the mission of SEGB to encompass switching in addition to smart meter rollout, would require changes to industry codes, or significant direct funding from government. However, it should be noted that the objectives of SEGB, namely creating awareness of the rollout of a major infrastructure programme, are different (and arguably more complex) from the objectives of the campaign as set out above, and this may necessitate a more wide-ranging campaign. Marketing of CASS was performed by Bacs, a non-regulatory organisation which was separate from the suppliers (in this case retail banks) and required significant deployment of resources from that organisation for planning and development of a campaign.
60. The CMA's assessment of CASS and Power to Switch indicates that promotional activity concentrated in a short space of time is unlikely to result in a sustained increase in consumer awareness and does not guarantee that awareness of a switching product will meet expectations in the short term. A short term campaign leading to a short-term spike in switching activity would be unlikely to deliver value for money, whatever the outlay on advertising. This should be considered when assessing the likely benefits of a bespoke campaign.

## Recommendations

61. No one model for consumer engagement will guarantee that an optimal level of customer engagement with the Switching Programme will be achieved. For this reason, Ofgem will continue to refine the options and costs of different models, with a view to consulting as part of our Blueprint consultation at Design Baseline 3.
62. However, at this stage we have not changed our view that no further licence changes will be made to fund a consumer awareness programme. As a result, we do not propose to use this option to fund and develop a bespoke customer awareness campaign, along the lines of that utilised by CASS or SEGB, through significant further licence changes.
63. From our analysis above, we have formed an initial view of how a consumer awareness strategy might proceed, which will inform our Blueprint consultation.
- We expect that implementation of the Switching Programme will bring significant benefits to customers. The development of a customer awareness strategy should continue to form a part of the delivery strategy for the programme in order to ensure that consumers are best informed of these benefits.
  - The objective of a consumer awareness strategy for the Switching Programme should be to improve levels of consumer confidence in the switching process and their perception of the benefits of switching, and this is how success should be measured. Ahead of implementation of an awareness campaign, steps should be taken to ensure that measurement of these factors can be made.



- Resources could be found from within the programme to ensure that some promotional materials are available to the media and industry stakeholders around the launch of the programme (as per the 'do minimum' option set out above). Production of these resources could be incorporated into 'business-as-usual' work for Ofgem and the Switching Programme to coincide with commencement of the DBT phase and go-live for the project as a whole.
- Any Consumer Awareness Strategy should be informed by the Switching Programme's Transition Strategy, in order to ensure that messages developed and released from within the Switching Programme and by industry stakeholders are coherent, and that no messages are released ahead of 'go-live' to the detriment of the programme as a whole.
- Planning for any campaign should consider different market segments and how to target hard to reach groups or those consumers that could benefit most from switching in order to achieve the greatest increase in consumer welfare.
- Following go-live, industry stakeholders should be encouraged to publicise the new switching arrangements through their existing marketing messages (use of "owned media"). The programme should also consider how it can adopt a partnership marketing strategy and communicate more effectively with consumers through other partners and intermediaries.
- The Switching Programme could actively engage with Ofgem's Be an Energy Shopper and Energy UK's Energy Switch Guarantee programmes to establish how beneficial synergies can be capitalised upon. This work should commence in advance of the DBT phase, to allow time for changes to the parent campaigns to be reflected ahead of go-live. However, in order for this to happen, agreement would need to be reached with owners of those schemes on governance.

## Appendix 1 - Options Evaluation

Design Principle	Option 2: Automatic reversion to Supplier A	Option 3: Customer chooses reversion to A if practicable (default) or deemed contract with B pending switch to C	Option 4: Held on deemed contract with Supplier B
Impact on Consumers			
1 Reliability for customers	Complex cases plus data exchange may result in process failures	Requires suppliers to design and follow a standard checklist but otherwise is as reliable as any other switch	As reliable as any other switch
2 Speed for customers	Could delay switch to C for cases where reversion is more complex	Customer decides how fast to proceed if they elect to switch to Supplier C	Customer decides how fast to proceed
3 Customer Coverage	Exception cases may make this impracticable in certain circumstances	All customers covered	All customers covered
4 Switching Experience	Simple process – customer makes one call. Likely to be welcomed by customers who regret switching to B but could cause confusion for ‘edge cases’ where reversion is more complex	Simple process – customer makes one call and has options. Supplier offers reversion for those that want it (and can be handled) and provides a holding position for those who would rather switch to C	Customer makes one call to cancel but then has to contact other suppliers to choose Supplier C. ‘Regretful switchers’ may be frustrated that they cannot revert to Supplier A without having to follow a new sign-up process with A
Impact on Market Participants			
5 Competition	Assurance of reversion may attract hesitant customers to enter the market	Assurance of reversion may attract hesitant customers to enter the market	Lack of assured ‘way back’ may inhibit some customers from engaging with the competitive market
6 Design – robustness	Suppliers need to be able to re-activate accounts	Suppliers need to be able to re-activate accounts and to interpret and act on the customer’s stated preference	Simple process – switch to C is a ‘normal’ switch transaction

Design Principle	Option 2: Automatic reversion to Supplier A	Option 3: Customer chooses reversion to A if practicable (default) or deemed contract with B pending switch to C	Option 4: Held on deemed contract with Supplier B
7 Design – flexibility	Rigid system – suppliers will have to sort out the difficult cases. Requires licence obligation on suppliers to re-activate contracts on reversion	Supplier effort reduced as only ‘easy cases’ are reverted to A. Requires licence obligation on suppliers to re-activate contracts on reversion	Suppliers only have to deal with one CoS process
Impact on Delivery, Costs and Risks			
8 Solution cost/benefit	Some additional cost expected over Option 4	Some additional cost expected over Option 4	Lowest cost
9 Implementation	More complex – larger number of permutations to be tested (systems and manual procedures)	More complex – larger number of permutations to be tested (systems and manual procedures)	Straightforward