

ofgem

CMOL
research

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Debrief structure



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- 1 Background, methodology
- 2 Reaction to the concept
- 3 Perceptions of the messenger
- 4 Customer journey
- 5 Conclusions

1

Background, methodology



Background

In Summer 2017 Ofgem carried out the Cheaper Market Offers Letter (CMOL) trial. The trial tested a prompt to encourage engagement in the energy market, specifically targeting customers on Standard Variable Tariffs (SVTs) for over a year.

Ofgem collaborated with two energy suppliers for the trial, that we refer to here as 'Supplier A' and 'Supplier B'.

The prompt tested was a single, standalone letter detailing three cheaper tariffs from across the market that the customer could switch to (excluding tariffs from their own supplier).

Around 138,000 customers were in the trial sample. One third of the sample received a letter from Ofgem, one third from their supplier, and one third received no letter.

This debrief reports the findings from follow-up qualitative interviews conducted with some of the customers who received letters in the trial.



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Research objectives

Overarching objective

To understand impact of the letter, and *why* action was or wasn't taken as a result of receiving the letter



Specific objectives:

1 To understand reactions to the general concept of the letter, and being informed of alternative suppliers

2 To understand customers' experiences of receiving the letter, and why customers reacted in the way they did

3 To understand how the letter was perceived in terms of the sender and content

4 To gain insight into consequences of the trial, and the impact of the letter on switching behaviour

Methodology

We adopted a semi-structured, qualitative approach to gain deep insight into reactions to the letter, and to understand why certain actions were/weren't taken - whilst also being able to reach a good cross section of customer types.

91
semi-structured, qualitative interviews



Fieldwork carried out during **August & September 2017**

Topic guide developed by DJS Research in partnership with Ofgem

Quotas agreed with Ofgem, to ensure mix of customers included

Quotas all dictated based on information provided in the sample, with a handful of people (who switched before the letter) who were re-classified (raised to Ofgem)

Supplier A sample provided by Supplier A, and recruitment commenced on August 8th

Both roughly 7-8 weeks after the letters were sent

Supplier B sample provided by Supplier B, & recruitment commenced on August 22nd

Interviews lasted 20-40 minutes

All conducted by experienced qualitative interviewers

All customer data securely supplied by the suppliers

Participants were all made aware that Ofgem was the sponsor

Customer breakdown (1)

91
semi-structured,
qualitative
interviews

**Supplier A
CMOL trial**

**Supplier B
CMOL trial**

**Supplier A
branded**

**Ofgem
branded**

**Supplier B
branded**

**Ofgem
branded**

| | | | | |
|--|-----------|-----------|-----------|-----------|
| 1- 3 year tenure* | 12 | 11 | 15 | 13 |
| 3+ year tenure | 12 | 10 | 14 | 4 |
| Switched externally | 10 | 5 | 14 | 11 |
| Switched internally** | 9 | 7 | 4 | 1 |
| Did nothing, but recall the letter | 5 | 9 | 11 | 5 |

*An additional, and maximum,
of 4 did not recall the letter*

*Tenure - refers to length of time on a standard default tariff (SVT)

**Switched internally - refers to switches to an internal tariff with the existing supplier

Customer breakdown (2)



| | Supplier A | | Supplier B | |
|-------------------------------|--------------|-------------------|--------------|---------------------|
| | Ofgem letter | Supplier A letter | Ofgem letter | Supplier B letter |
| 1-3 years switched internally | 4 | 4 | 0 | 3 |
| 1-3 years switched externally | 2 | 6 | 10 | 9 (PSR included) |
| 1-3 years did nothing | 5 | 2 | 3 | 3 |
| 3+ years switched internally | 3 | 5 | 1 | 1 |
| 3+ years switched externally | 3 | 4 | 1 | 5 |
| 3+ did nothing | 4 | 3 | 2 | 8 |
| Total | 21 | 24 | 17 | 29 |

1

PSR customer interviewed

A note on sampling



This was **qualitative** research with an emphasis on **understanding** rather than **measuring**.

However, the relatively high number of interviews (for a qualitative study) and inclusion of some structured questions does mean that we can provide some indicative measurement. This needs to be interpreted carefully:

1. Any figures provided should be considered as indicative rather than statistically robust.
2. It should be remembered that the sample is not necessarily 'representative'. The *quota sampling* approach means that we specifically selected participants that fitted agreed criteria (as outlined on P7 and P8); in particular, we capped the number of interviews with people who did not remember receiving the letter.

Demographic breakdown

Region

| | |
|--------------------------|----|
| North West | 6 |
| North East | 5 |
| Yorkshire and Humberside | 5 |
| East Midlands | 4 |
| West Midlands | 6 |
| East of England | 3 |
| London | 7 |
| South East | 26 |
| South West | 15 |
| Scotland | 9 |
| Wales | 5 |

Age

| | |
|-------------|----|
| 25 – 34 | 10 |
| 35 – 44 | 13 |
| 45 – 54 | 21 |
| 55 – 64 | 10 |
| 65 and over | 35 |

*Prefer not to say - 2

Gender

| | |
|--------|----|
| Male | 55 |
| Female | 35 |

*Prefer not to say - 1

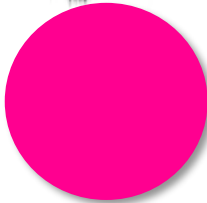
We also, where highlighted in the sample, aimed to speak with Supplier B customers who switched to a small supplier (3) vs large supplier (7) – although this was unknown for many

Although we attempted to target those who had **only switched one fuel source**, sample for this group was low and we achieved **1** interview


Ofgem segments

Ofgem has previously carried out quantitative research to develop six consumer segments that vary based on their levels of engagement in the energy market, the nature of their behaviour, and the specific barriers and enablers to involvement.

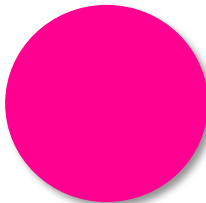
Using a series of attitudinal and behavioural questions, we were able to identify what segment participants in the CMOL interviews fell into. In this report we refer to the segments where relevant; the six segments are summarised below.




Happy Shoppers enjoy shopping around in all markets, motivated by finding ways to save money. They are confident, trusting, engaged with the energy market and positive about switching.



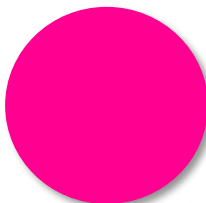
Savvy Searchers are highly confident and engaged across all markets, and broadly positive about energy switching. However, they are sceptical about the role of PCWs, often using more than one site to compare. Ultimately they are confident they are on the right deal.



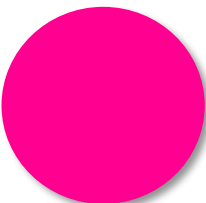
Market Sceptics have very low levels of trust in energy companies, and a lack of confidence engaging with the energy market. This contrasts with their relatively high levels of engagement in other markets, and average levels of general confidence and self-efficacy.



Hassle Haters are confident in their ability to engage in the market, and broadly trusting of suppliers. They are deterred, however, by the perceived time, hassle and risks involved. They feel they are on a good deal despite their lack of engagement, but might be tempted by added-value services.



Anxious Avoiders have very low self-efficacy and lack confidence in shopping around generally and specifically in energy: reflected in low levels of engagement across all markets. They are far less likely to spend time researching purchases or finding ways to save money.



Contented Conformers are broadly happy with the status quo, trusting their supplier. They are nervous of change, worried by the risks of switching, unknown suppliers and overwhelmed by choice. They are the least confident engaging with the energy market and least motivated by saving money or added-value services.

2

Reaction to the concept



Views on the approach

A welcome approach

The reaction to the letter is predominantly positive; it is seen as **helpful, informative and honest** in a market clouded with suspicion and cynicism.

"I think it's good as it's open and transparent; you feel that even if you still want to stay with your supplier, it would be an informed choice."
(received Supplier A CMOL letter, switched internally)

A positive reception

Helps gain **insight into a confusing market**

Provides 'food for thought'; a **nudge to explore options** out there

Helpful, and a perceived sense of **time saving**

A cloud of suspicion

An **element of confusion**

The **switching process** still causes **reservations**

Deals aren't taken at face value

For those receiving supplier-branded letters, **what are the drivers?** Is it forced?

Are there hidden costs?

Perceived length and effort of switching for little gain

Recognition that there are other deals, possibly cheaper

Views not exclusive, often interchanged amongst many

General recall

The message landed

Many **can clearly remember the overall message** of the letter:

- Possible savings (the real 'hook' & call to action)
- Possible deals
- Messenger/sender

"It informed me that I could get a cheaper rate from another provider and it also specified how much I could save."
(received Supplier A CMOL letter, switched externally)

23/24 26/29
Supplier A Supplier B
CMOL CMOL

28/38
Ofgem CMOL

77
feel it's
believable

"I have issues with trust and believing everything I see and hear. It probably is a believable letter, but it's just me." -
(received Ofgem letter, no action taken)

Certain **areas of confusion** amongst a select few...

A few incorrectly felt that their current supplier was included

Very few mistakenly recalled the messenger

Some mistakenly recalled the number of providers on the letter

Views on the content

Clear content

The content of the letter is viewed as **clear and to the point**, with very few improvements noted at all.

"I work in marketing and sales so messaging is something I always look for. There was a visual table and the text was concise and clear. The wording of the letter was also empowering as it started off by asking if you knew you could save money by switching and then going on to explain how this would be possible."
(received Ofgem letter, no action taken)

Very few find any ambiguity with the content

Short

Clear layout

Punchy

Bold text

Simple

To the point

No jargon

"It was only two sides of paper; it just said quite simply, I'm paying so much currently for my combined gas and electricity; here are some examples of how you could save money."
(received Ofgem letter, no action taken)

Two areas of consideration

Switching
process

Context
(why me?)

81
feel the
message is
clear

58
strongly
feel it's
clear

"This has obviously been written by someone with common sense. I work in Citizens Advice and some of the letters for claiming benefits are deliberately written in such a way as to make them difficult to understand. This letter is written in layman's terms; it's well written and easy to understand."
– (received Ofgem letter, no action taken)

Perception of context

Unclear context

Although the content and message of the letter is seen to be extremely clear, the **contextual elements behind why individuals were sent the letter are not so clear.**

"It was all a bit confusing at first as I did not understand why they sent it, but the letter itself was easy to understand."
(received Supplier B CMOL letter, switched internally)

"It was clear the message was that there's cheaper tariffs, but without the contextual stuff behind it as just a one-off letter, I was a bit sceptical."
(received Supplier B CMOL letter, no action taken)



An element of surprise

For some who received a supplier-branded letter, it **came as a surprise and drew questions on the purpose and motive of the letter**

A government scheme

Most recognise that the activity is government-driven, regardless of the messenger:

- News regarding the big 6 overcharging customers
- Government request that Ofgem should create more competition
- A handful of respondents held the assumption that, legally, customers must be informed if they are overpaying

Other theories include



Perception of context

Unclear context

Although the letter alluded to the fact that Ofgem had driven the communication due to the customer being able to save money, there was **little detail** in terms of **context** other than that.

"I don't know why we were sent the letter. I was vaguely aware that it was a standard tariff, but I've been with them so long..."

(received Supplier A CMOL letter, no action taken)

"I could not understand why Supplier B would send out a letter pointing out that I could get a cheaper tariff from somewhere else."

(received Supplier B CMOL letter, switched internally)

Contextual information

To ensure customers feel they have an appropriate level of context, the letter could include information on...

Why the letter was sent to them?

Why is their energy supplier sending this letter out?

Is the letter a one off communication?

Are all energy suppliers doing this?



Views on the content

Outlining the process

Although the content and message of the letter is seen to be extremely clear, the **process and contact points for actions following receipt of the letter could be clearer for some.**



Contact information

- Some consumers were **unable to recall whether the letter included relevant contact information** for either the sender or the deals
- **Having contact details for Ofgem is an important factor** to include
- A handful **couldn't recall the contact details for deals in the letter**, so this could be made more visible and clear

Switching process

Although not raised as a key issue, **outlining what's involved in the process** should someone wish to take up a deal in the letter **would be a sensible addition to encourage greater switching behaviour**

"... I don't remember seeing a telephone number for if I wanted to call them up and talk things through. It was left up to me to take the next steps. The information was great but it needed to provide more direction on what my next steps and options could be."
(received Ofgem letter, no action taken)

"The letter was fine as it was. But I do think a secondary letter or some kind of nudge would be really useful; something that would show you what you needed to do next. I keep meaning to do it [switch] but I haven't taken action yet; so another touch point would be useful." **(received Ofgem letter, no action taken)**

Views on the content

Education on the process

Outlining the process, and educating consumers on what might be involved when switching energy supplier may help **increase switching behaviour** by providing a more **transparent view** of the market.



A more transparent view on the switching process

How long will it take to switch suppliers?

Will there be any extra fees or charges when switching supplier?

How long are these offers available for?

"I wasn't expecting to see Supplier A on the letter, it could be market sensitive information and any tariffs of the individual customer, and how long the offer is available for could be an issue."
(received Ofgem letter, switched internally)

"I wasn't too sure about Eon, I have read a bit about changing tariff, that it can be a nightmare."
(received Ofgem letter, no action taken)

"I didn't know how easy that it would be or how hard it would be but I would definitely have done it if Supplier A hadn't of come near." -
(received Ofgem letter, switched internally)

Views on the content

The importance of savings

The level of saving is the main element of the letter which drew consumers in. Although other specific elements played important roles in drawing emotive reactions, **the level of saving is of primary importance.**

"I think the percentage that I could be saving really stood out. Personally it came at a time when I felt that enough was enough, I had been paying too much, for too long and I had to do something about it."
(received Ofgem letter, switched externally)

The level of saving caused the strongest reaction



3

Perceptions of the messenger

Understanding customers

Supplier A

Supplier A appears to have more positive perceptions of **service** which has caused **more active loyalty and satisfaction amongst customers.**

Customer case study:

- Male
- Age 65 and over
- Hassle hater
- South East

Switched internally

5 & a half years with Supplier A

The loyal customer

I'm going on my past experience and my past experience is that **Supplier A have always been fair and upfront** with me, so I felt they were being fair and upright in front of me this time, which proved to be correct.

I suppose yes I did [believe I could save money] in a way but generally I just couldn't be bothered, I'm 81 going on 82 years of age and I'm at the age when I don't need all this type of thing and as I say **Supplier A have been fair to me all this time** so **why should I change?**

They were very fair and upfront when I first went to them, the chap that came to see me told me he could save me X pounds and sure enough he did save me X pounds so **I've got no reason to not trust them.**

Yes I've got a loyalty to them (Supplier A), yes, and I've been with other companies in my few years of life and yeah so far I must admit the one I'm with have been very good.

Supplier B

Supplier B customers are generally long-standing customers who have **less trust in the energy market as a whole**

"I had been feeling very annoyed with the way they have treated me over the past five years." - (received Supplier B CMOL letter, switched externally)

A handful of Supplier B customers have had very poor experiences

Insight into the typical profile...

Prefer to go with a "big company"

Market sceptics

Long term customers

Nervous to go elsewhere

Not as trusting of the market

Won't find a better service if they switch

"I was not happy with Supplier B, the tariff I was on was sold to me by a person who came to the door, they told me it was the cheapest tariff I could get." (received Ofgem letter, switched externally)

"It is like being with BT, you end up staying with them, as it is what you have always done." (received Supplier B CMOL letter, switched externally)

"They should have acted earlier to help us." (received Supplier B CMOL letter, switched externally)

Understanding customers

Supplier B

Supplier B customers are generally long-standing customers who have **less trust in the energy market as a whole.**

Customer case study:

- Female
- Age 65 and over
- Market sceptic
- South West

"I'm so miserable and worn out with my recent experience I thought well it might seem better today but I'm probably going to end up in a similar situation in six or nine months time, so I'm staying put."

Switched internally

10 Years
with
Supplier B

The 'Market Sceptic'

Well bearing in mind my experience I'd say I **distrust them completely.**

I think it was two or three years ago, I **received a bill from Supplier B for the period January to March for £1800** - this is a very brief potted version – **I went through poor service** saying it was impossible for one human being in a house to rack up a bill of that enormity for a period of three months. ...The whole thing is a very protracted, **emotionally exhausting experience** that went on I think for about nine months.

I was absolutely emotionally exhausted by the end of it all and was in the fortunate position of being able to pay it, I still think something was wrong but I couldn't prove it. So I paid it.

I **came to the conclusion they're all bloody crooks**, excuse my language, and if I change company I'm probably going to have to go through the whole thing again so I thought **better the devil I know.**

Understanding customers

Supplier A

Supplier A appear to have more positive perceptions of **service** which has caused **more active loyalty and satisfaction amongst customers.**

*"Gives me a bit more confidence in Supplier A as a supplier." -
(received Supplier A CMOL letter, switched internally)*

Insight into the typical profile...

Received better service

Active loyalty

Trust Supplier A

Valued relationship

Perception of transparency from Supplier A

More positive reaction to Supplier A following the letter

*"Yes I do feel more favourable towards them and this sort of thing gives me the impression that they have my best interests at heart." -
(received Supplier A CMOL letter, switched internally)*

*"It is very good but at the same time it is a bit confusing, as I have said before it is something new to me that your own supplier is recommending you to go to someone else for a cheaper tariff." -
(received Supplier A CMOL letter, no action taken)*

*"It puts them in a better light, they have done what they have been told to by Ofgem, but they could have said no and got a fine." -
(received Supplier A CMOL letter, switched internally)*

Appropriateness of suppliers' contact

Treated with a degree of scepticism

We see very few differences between suppliers in terms of appropriateness, and although some feel this action reinforces trust, displays transparency and is the duty of the supplier – the **overriding feeling is one of scepticism around their motives.**



"Yeah I was surprised [I could save], and then I suppose again you think - a lot of them are for 12 months - are they just going to keep/put their prices up? It's just the energy market isn't it. You've got Supplier B ... putting their prices up and you think...you don't know what to believe."

(received Supplier A CMOL letter, no action taken)

20 of 29

feel it appropriate to come from Supplier B

21 of 24

feel it appropriate to come from Supplier A

Perception of Ofgem



Out of 38 Ofgem
branded letters...

4
have **little
or no**
understanding

18
have
**some
limited**
understanding

16
have a
good
understanding

Insight into awareness....

Consumers generally have **top level, positive awareness** of Ofgem as an organisation. This is through a number of media channels.

"They are an organisation that look over the energy companies impartially."
(received Ofgem letter, switched internally)

"They're often in the news because they're regulating, or fighting against individual energy suppliers... So they're obviously trying to defend the consumer's interest."
(received Ofgem letter, no action taken)

"They oversee the energy supply situation, but I don't know a great deal more really." - (received Ofgem letter, switched externally)

"I don't know all the details, but I hear bits on the news."
(received Ofgem letter, no action taken)

"I am not sure of who they are. I know they are something to do with energy and they are funded by the government." -
(received Ofgem letter, switched externally)

Appropriateness of Ofgem's contact

A trusted sender, with a good reputation

Even though awareness levels of Ofgem vary, **Ofgem generally appears as the most suitable, credible and trusted sender.**

Key doubts over Ofgem as a sender relate to data protection and their ability to hold account information.

The Ofgem logo is displayed in orange text on a white rectangular background with a subtle grid pattern.

✓
An expected sender

✓
Positive media presence

✓
Independent/
impartial

✓
Unbiased

✓
Consumer-
focussed

✗
Data protection

✗
Holding account
information

"You hear their name mentioned in news broadcast on the topic of utility companies and the big six having their customers over a barrel because the customers aren't switching enough; Ofgem are often mentioned in these broadcasts but they don't seem to be effective in getting the utility companies to lower their prices. I felt as though this was a better way to go about it."
(received Ofgem letter, no action taken)

Some consumers **query whether Ofgem should be contacting them directly.**

However, the **majority view Ofgem as an appropriate sender.**

32 of 38
feel it
appropriate
to come
from Ofgem

4

Customer journey *Reaction*



Customer journey

Before receiving the letter

- Inertia
- Negative perception of the market
- Lack of awareness of the switching process
- Lack of awareness of savings

Upon receiving the letter

Nudge towards switching

Based on service

Surprise at savings

Surprise at suppliers

Based on tenure

Active loyalty to suppliers - Supplier A

Reluctantly loyal to suppliers (Market sceptics) - Supplier B

After receiving the letter

Greater awareness of savings

Insight into the switching process

Greater awareness of suppliers

Took action

A prompt rather than realisation to take action

Compelled towards the savings

No action

A prompt to research unknown suppliers/the market

Not compelled towards the savings

Ongoing inertia (or procrastination); trust supplier; distrust the market

Many reported being more likely to compare energy deals since receiving letter

64

likely to search and compare for energy deals in the future; 35 'very likely'

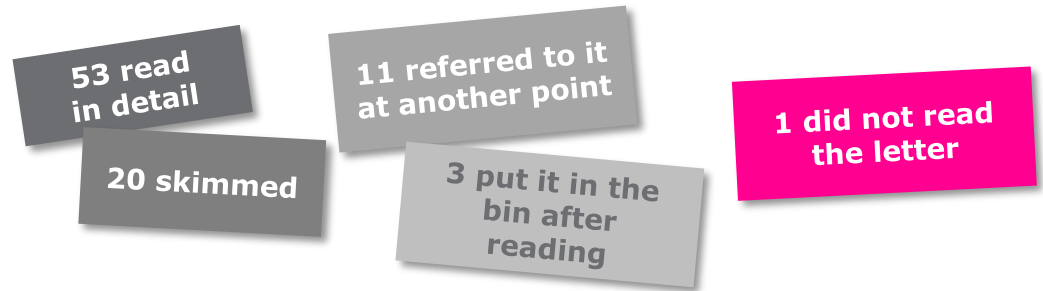
Immediate reactions

Generally consumers appear to open all mail, especially when it's from energy suppliers – direct mail is also less common these days.

For those receiving an Ofgem branded letter, the **inclusion of Ofgem is a key reason why the letter held importance.**

The **savings and cheaper deals** mainly helped grab attention.

Did they read it?

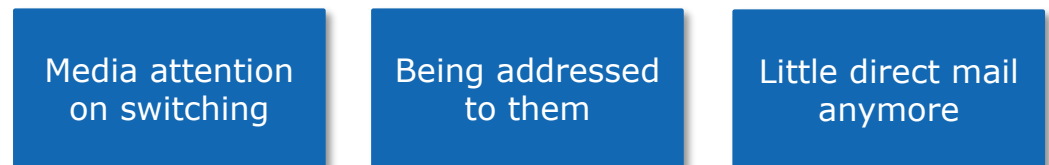


What sparked interest?



*A key reason for those receiving Ofgem branded letters.

What else drew attention?



Immediate reactions

Although a number rang a new supplier included in the letter, consumers tended **not to take the information at face value**, and **wanted to make a more informed decision** for themselves through calling their current supplier or researching online.

Few differences by supplier/messenger

Although very few had doubts over the authenticity of the letter, some wanted to confirm authenticity of the deals

Due to the **unique nature of the communication**, many read the letter **once they opened it**.

Three main actions then followed...

Put to one side

A common action; those who took action re-visited the letter after a few days, those who took no action do still plan to re-visit the letter

I put the letter on a to-do pile and then contacted my supplier at the weekend.

Ring suppliers

Undertaken by many, particularly those who took action

I opened it and read it, looked at what my options were and took appropriate actions. I called them almost straight away, the letter came on Friday afternoon.

Research online

Undertaken by most, even those who took no action

I then went online and looked to see, had a look at these companies they had mentioned, and also to put in my energy usage in to see whether there was a saving and there was.

Both can then lead to research

Put to one side

A common action; those who took action re-visited the letter after a few days, those who took no action often still plan to re-visit it (but will they?).

The most common action immediately after opening the letter is to put the letter to one side, this can be for a number of reasons...

"That it was not top priority, I just got the gist of it, skimmed it and put it to one side. They put on one or two other suppliers that I had never heard of. I had too much essential admin to do; I just didn't see it as urgent."
(received Ofgem letter, no action taken)

Driver:
Busy lives

Driver:
Satisfaction
with supplier

Having **no sense of dissatisfaction with supplier**, coupled with a **busy life** is most likely to lead to action not being taken immediately

Driver:
Making an
informed choice

For some customers, having **time to take the message in** and **discuss with friends/family** was very important

Key customer types:

Contented conformers

Likely to then take further action

Anxious avoiders

Likely to then take further action

Savvy searchers

Likely to then take further action

Hassle haters

Unlikely to then take further action; no sense of urgency

"I read it and then put it on my to do list. It's sitting in my drawer at the moment."
(Supplier A CMOL letter, no action taken)

"I read it then photographed it in order to show my mum all the details and then knowing I was going on a school trip for four weeks and I wouldn't be able to do anything about it from when I got it, I put it on the fridge with a fridge magnet so I knew that when I got back I could then act as it would be there which meant I would remember it."
(received Ofgem letter, no action taken)

Rang the supplier

Undertaken by many, particularly those who took action

For reasons including **trust, loyalty and simplicity (or 'risk aversion')**, some consumers **wanted to call their supplier** initially before taking any further action.

"I read it in full 3 times, over a couple of days. I discussed it with my partner, on whether we should change in light of being loyal to Supplier A, or do you take this chance to make the decision to change, so I rang cheapest tariff company and had a long conversation with them. I was given information, I went into everything deeply and thought about it and contacted Supplier A they couldn't match it so I called the other supplier and switched."

(received Supplier A CMOL letter, switched externally)

Driver:
Authenticity
of the deals

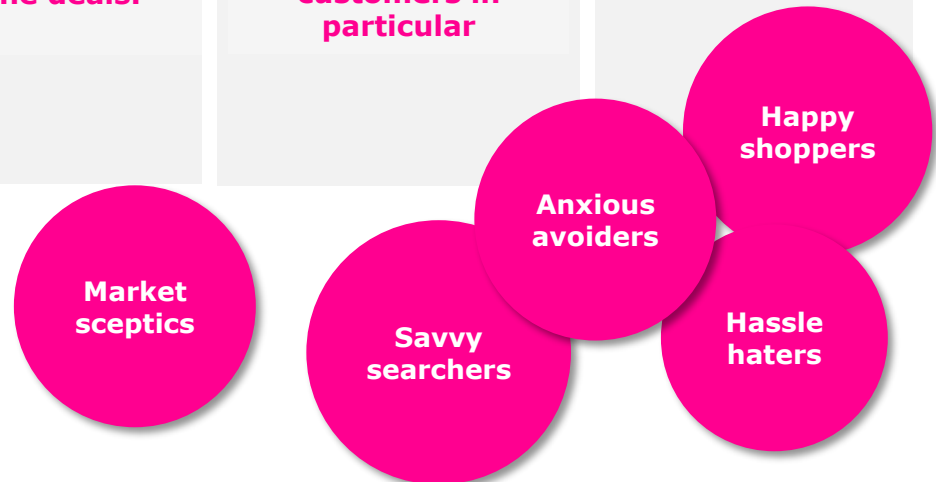
Some consumers, **called their current supplier to confirm authenticity of the deals.**

Driver:
Loyalty

Others **called their current supplier out of a sense of loyalty/trust – Supplier A customers in particular**

Driver:
Simplicity

Others rang their supplier because of the **perceived simplicity/ease.**



All three drivers then often led to the supplier, particularly Supplier A, either **matching the deal or offering a cheaper tariff.**

"When I got the letter I read it quickly, then when I had spare time, I read it in full then called my suppliers and told them about it. I wanted them to offer me something similar."
(received Ofgem letter, switched internally)

Research online

Undertaken by **most**, even those who took no action.

Scepticism of the market leads to consumers wanting complete control over their actions.

"I went onto a price comparison website with my usage information from the letter. I am pretty long in the tooth, I can make my own decisions, evidence based, and appreciate the process."
(received Supplier A CMOL letter, switched internally)

"It went in the bin, I take these decisions myself."
(received Supplier B CMOL letter, no action taken)

Few differences by supplier/messenger

Driver:
control

Some customers, particularly those who switched externally **did not want to take the letter at face value**

Driver:
Authenticity of new suppliers/deals

Others wanted to check the authenticity by **checking if the deals were available**; others were sceptical and **wanted to research the suppliers on offer**

Driver:
Busy lives/ease

Others found it easier to search online **in their own time**

Market sceptics

Savvy searchers

Anxious avoiders

Hassle haters

Happy shoppers

The power of comparison sites

As **consumers value their own research**, **comparison sites** and other online sources (such as Which?), **play a vital role** in switching behaviour.

4

Customer journey

Action



Actions taken

Did nothing

Those who did nothing *may* still take action, but for a number of reasons **do not have a sense of urgency** around switching.

9/30
considered
changing
supplier

2/30
considered
changing
tariff

5/30
considered
a deal in
the letter

6/30 have
now switched
supplier &
0/30
switched
tariff
internally

12/30
plan to
take action

Rationale

Why didn't this audience take action?

- **Personal circumstances/ lack of time**
- **Ongoing** research for unknown suppliers; may still switch; procrastination
- **Saving** not large enough/scepticism over the overall saving being worthwhile
- **Satisfaction** with current supplier – Supplier A in particular
- **Misinformation/ scepticism towards the market; 'Big 6' affect** – suppliers are all the same; many think suppliers will raise prices at some point anyway; switching a risk

Customer type

Market
sceptics

Hassle
haters

Savvy
searchers

Often in the 'put to one side' category and plan to re-visit and/or do further research on deals & suppliers

Actions taken

Did nothing: example comments

*"Yeah it was a **little bit less energy** on my part as well. You get a bit snow-blind to tariffs changing so, I'm always **reticent to change** unless it's something we've decided to do personally within our lives, or what our circumstances are. But we'd do it."*

(received Supplier B CMOL letter, no action taken)

*"I am **confident about switching** but I am not sure about **the process of it** at the moment because [new supplier] said they would send me a letter saying that I have got it for 12 months and they **never kind of confirm** when I spoke to them yesterday is how much money they are going to take out of my bank account."*

(received Supplier B CMOL letter, no action taken)

*"The only reason I haven't switched yet is down to a **lack of time**. I went on holiday soon after I got it and I only came back yesterday. So I **haven't really had the time to look** into the different suppliers."*

(received Ofgem letter, no action taken)

*"I might end up switching to one of the ones listed but I **need more information** on them. I want to check that the two other companies being suggested are the **best two companies out there**. I am going to go online and look at all the best deals, not just the ones in the letter. I like to **do my own research** first before I make a decision about anything."*

(received Ofgem letter, no action taken)

*"We were moving house and I **planned to sort it later**. However we were switched to the company who **already supply** the house we moved to."*

(received Supplier B CMOL letter, no action taken)

Insight into inertia

Inertia, underpinned by scepticism and perceived risk

Inertia is common within the energy market, and appears to be **underpinned by supplier experiences** and a **lack of awareness about the switching process** (including perceived risk that switching will involve hassle, service issues or unexpected cost).

What is the profile?

Awareness of a standard tariff

Mixed awareness

Awareness of better deals out there

An open sense of inertia

What underpins the profile?

Some negative experiences of suppliers (Big 6)

Prices being increased in the background of a 'good deal'

And hidden costs

Perceived effort & cost in switching for little return

Length of phone calls End of contract costs

"It's probably down to a bit of laziness on my part and the fact that I don't think I would save that much overall."
(received Supplier B CMOL letter, no action taken)

"I thought it was really good information. Everybody should be told about the different tariffs and energy companies as people are too lazy to find out. And some people are afraid to change companies as cheaper does not always mean good or better."
(received Ofgem letter, switched externally)

Overcoming inertia

A nudge towards switching during busy lives

The letter **helped towards re-emphasising the importance of switching.**

"I have had a bad experience with switching in the past and I really need to think about whether the level of saving is enough to warrant the hassle of switching."
(received Supplier A CMOL letter, no action taken)

"It's something that I've meant to do, but my own inertia has prevented me from doing so. But the letter has acted like a spur and I intend to switch soon."
(received Ofgem letter, no action taken)

How can inertia be overcome?

Although there is **an element of inertia around switching activity**, the lack of switching behaviour does appear to be **driven by the lack of differentiators in the market, and the perceived effort and cost/risk associated** with switching supplier.

Transparency

More transparency on what is involved:

- From suppliers; from Ofgem
- Through media channels
- Clearly outline the process in communications

Education

More education/reassurance on the process:

- How long does it take?
- What does it cost?
- How often should you do it?

Actions taken

Switched internally

Switching tariff and not supplier is **typically driven around ease (and risk avoidance), satisfaction and loyalty.**

Rationale

- **Ease/simplicity**
- **Loyalty/trust** – particularly with Supplier A
- **Length of time with supplier** – particularly Supplier B, again a sense of a 'Market sceptics' scenario
- **Level of saving** from deals/research not worth the switch

"Our current supplier undercut the deals on the letter and they switched us on to a lower tariff. I didn't want to leave the current supplier, I am happy with the service, when they come to read the meter and if I have to call them up." (received Ofgem letter, switched internally)

"I don't want to spend my time phoning suppliers that I don't know and you hear horror stories about people changing, for a lower price and the supplier doesn't have good service and things going wrong for them." (received Supplier A CMOL letter, switched internally)

Customer type

Most commonly



Also commonly



Actions taken

Switched internally: example comments

"But **I do support Supplier A** so I stayed with them because **I don't like moving.**"

"Well I suppose when I get my car insurance renewals and things like that, it is always more than what you have paid the previous year so I always go and compare it on the website and then I get in touch with my supplier and say look I can just get it with this price and then they normally come somewhere near. I was pretty confident that is what they would do, I just **find it easier than changing the details across.**"

(received Ofgem letter, switched internally)

"My husband would have wanted to move to a cheaper supplier, even though **I feel loyalty to Supplier A**, so **if they hadn't matched the offers** on the letter we would have moved. The **level of saving** would have been the reason we moved."

(received Ofgem letter, switched internally)

"As I say, I'm so **miserable and worn out with my recent experience** I thought well it might seem better today but I'm **probably going to end up in a similar situation** [inaccurate billing] in six or nine months time, so I'm staying put.

I felt very, very vulnerable having gone through what I'd gone through and I did not want to make any changes that might have ended up worse."

(received Supplier B CMOL letter, switched internally)

"I would consider it but if they didn't come nearer then I would **probably change to one of them.**"

"To be honest **I have never changed suppliers before** I have only ever changed when I have moved house and that is when I went with Supplier A because that is the one that it was with to start with. I didn't know **how easy [switching] would be** or **how hard that it would be** but I would definitely have done it if Supplier A hadn't of come near."

(received Ofgem letter, switched internally)

Actions taken

Switched externally

Those who switched supplier did so mainly due to the level of saving.

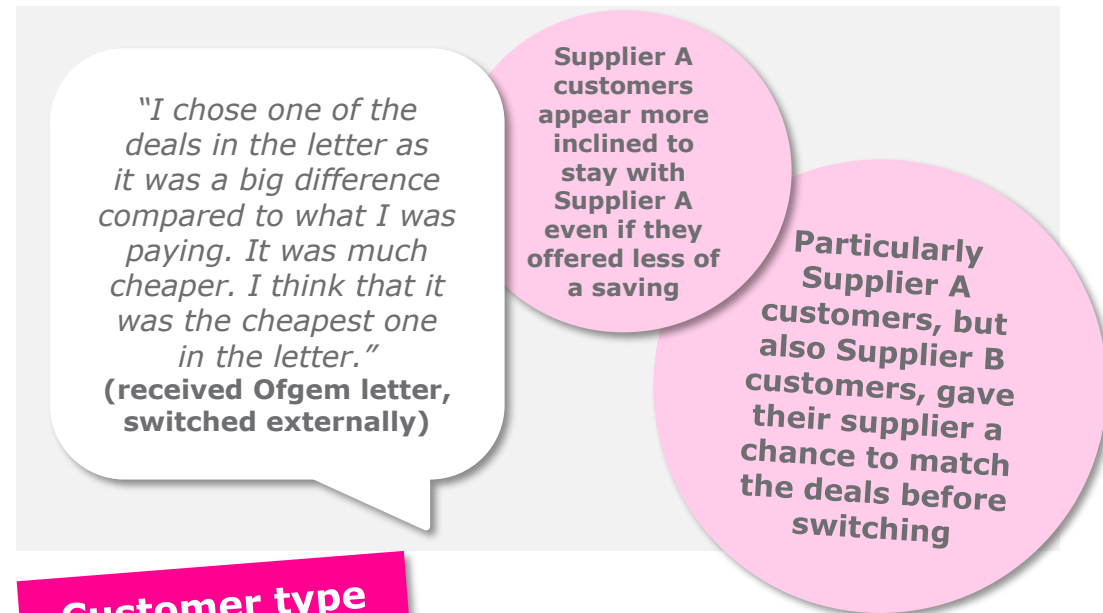
However, many were generally already thinking of switching (or had an underlying feeling they should), and **the letter played a key role in nudging them along**

"The letter was a catalyst, if I had been happy with the current supplier, I may have gone to them to see if they had been able to save me some money, it would not have to be the same amount that the letter said that I could save. It is not the amount that was the only reason for wanting to switch it was also the feeling of not getting the service."
(received Ofgem letter, switched externally)

Rationale

Why did this audience take this action?

- Level of saving
- Nudged to speed up the switching process for some



Customer type

Savvy searchers

Hassle haters

Happy shoppers

Actions taken

Switched externally: example comments

“The **level of saving is a major factor**. It is not a service industry, I am not bothered who provides it as long as I get my gas and electricity.”

(received Ofgem letter, switched externally)

“The **level of saving** was a factor and also we felt it was **time for a change**. We were thinking about doing it for ages without anything about it.”

(received Ofgem letter, switched externally)

“The reason I switched was because I didn't want to stay with Supplier B after I read that they were **charging me over £100 more than the other companies** in the letter. The letter had better deals and I just decided to go with the cheapest. Also my dad had been at me to switch as he had got himself a really good deal.”

(received Ofgem letter, switched externally)

“I had **already decided to switch** supplier before we received this letter so I had already been on comparison websites to look at other suppliers. I felt happier with the company I went with - who I found on the comparison site - than the other suppliers that were in the letter.”

(received Supplier B letter, switched externally)

“I only looked at one supplier and their deal it was the cheapest, I don't remember the other suppliers as I didn't read about them. If it had been a supplier that I had not heard of it wouldn't be a problem. If it had been a supplier that I had heard of it wouldn't make any difference. **It would be the price that is the most important. I switched to the cheapest deal in the letter.**”

(received Ofgem letter, switched externally)

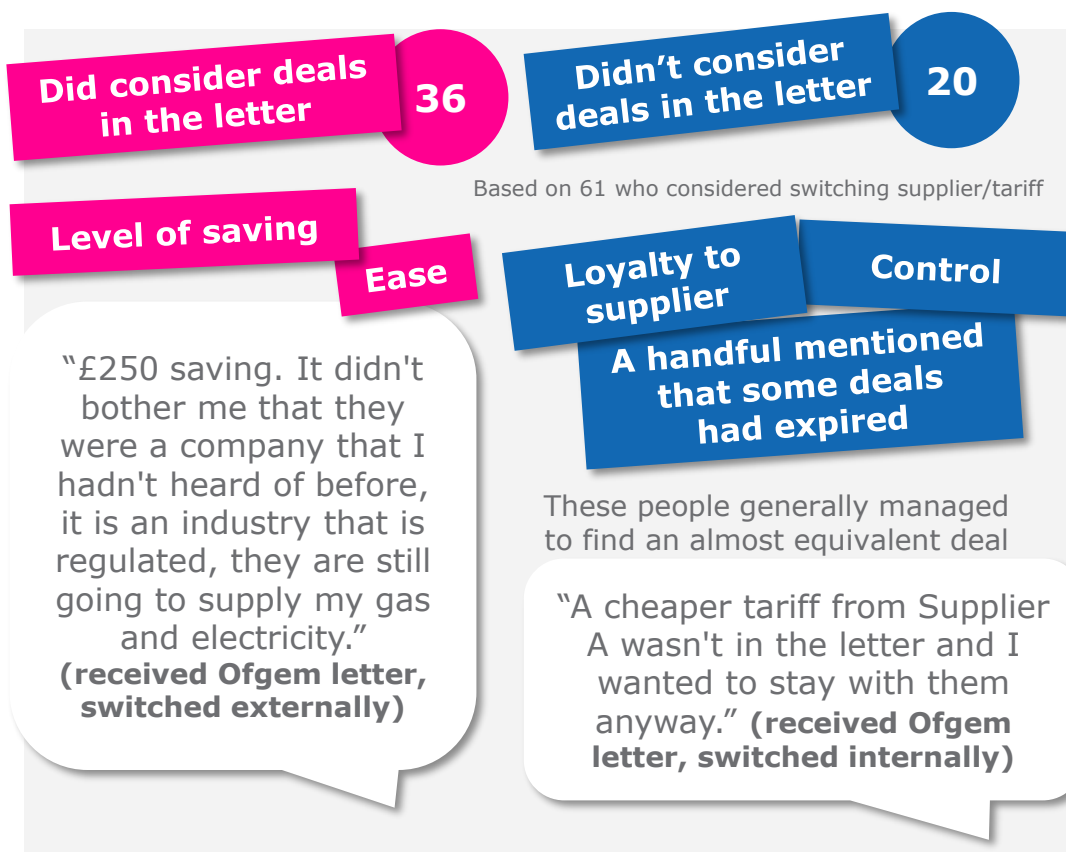
Actions taken

Taking up deals in the letter

The **level of saving** and **simplicity of switching** are the main drivers behind taking up deals in the letter; **control** and **loyalty** are the **key factors behind not taking up those deals**

"We just felt it was the right time. And because it was all laid out for us in black and white, it made it easy to do."
- **(received Ofgem letter, switched externally)**

Although many consumers **did their own research on deals, a number did end up with suppliers/similar deals included in the letter**



Due to the perceived ease (low risk) when a current supplier deal is included, **this can positively impact on internal switching behaviour.**

Deals on offer...

The effect of the offers

The choice of suppliers included within the letter also plays a major role in the emotive response, but consumers tend to react differently towards certain suppliers.

"I straight away thought, I've never heard of them so I'm not interested in them."
(received Ofgem letter, no action taken)

Big suppliers

- ✓ Brand reputation
- ✓ Increased visibility

- ✗ Brand reputation
- ✗ Less price competitive
- ✗ Negative word of mouth

"I didn't want to change. I prefer to deal with a big company like Supplier B as I have other products with them."

(received Supplier B CMOL letter, switched internally)

Small suppliers

- ✓ Grab attention
- ✓ Less *perceived* differentiators within the energy market can work in smaller supplier's favour
- ✓ News regarding smaller energy companies entering the market helps to reassure certain people

- ✗ Need to be researched
- ✗ Cause suspicion

"I didn't recognise any of the names, which is why I was a little bit suspicious."
(received Ofgem letter, no action taken)

Case study: did nothing...

Profile: female, 65+,
hassle hater, Scotland

The 'procrastinator'

Reaction

- Positive
- Informative/helpful
- A nudge to switch

"I completely understood the letter, fairly clear, explaining I could and should look at other energy suppliers. It was helpful."

"I thought it was because I was in a certain age bracket, I did know about being on a standard tariff. I had been on a cheaper tariff but that had only been for 12 months and then I had gone on to the standard tariff."

"It didn't give hints on how to do it, but it was nudge for me to go and do it myself, that I should consider checking out other suppliers."

Perception

- Ofgem have a good reputation
- Never trust anything completely
- An involved switching process

"I never trust anything completely, I think that you have to take some responsibility and go and look around and check things out yourself. I went and checked all the suppliers on their own websites, you can't trust everything completely, you need to take some things on your own shoulders. Ofgem have a very good track record for being fair."

"They have a good reputation, it would be Ofgem that should send them."

Ofgem
CMOL

Supplier A

6 yrs
with
Supplier
A

Impact

- A nudge in the right direction/reminder
- Life got in the way

"A £160 per year saving is large and was enough for me to go and check it out. But not got round to doing it yet. I opened and read it and immediately checked the suppliers and made notes on the letter and then the summer took over."

Case study: switched internally

Profile: male, 45-54,
hassle hater, Scotland

The 'risk avoider'

Supplier
B CMOL

7 yrs
with
Supplier
B

Supplier B

Reaction

- Understanding of the message
- Informative
- Official

"That if I shop around I might get cheaper prices, with prices of other companies. It was official, with a Supplier B logo, and my details on it. I was quite surprised with the letter, what it was saying."

"It was right, formal and informative. Supplier B came forward to me to say I could save money by switching."

"On the day I put it to one side, and then at the weekend I read the letter and then went online, the tariff was more expensive for that company, on their website."

Perception

- Understanding of the context
- Informative
- Official
- Scepticism of small companies

"It is an obligation, new rules from the government for the clients to shop around. I am on a standard tariff, I did know that I could save money if I switched."

"I was not sure who they were or how big they were, which is an issue. I haven't seen their vans with the company names around here, so will they be able to provide a good service, if I have a problem with the boiler or pipes will I wait a day for them to come out like Supplier B or would it be a week? It was strange that they didn't have their tariff on there."

Impact

- Loyalty to Supplier B

"If they want to be open and transparent, they should send it. If it is one of the other companies, I would be careful, sometimes they under sell the correct charges. It is more expensive than they said. I would rather receive this information from Supplier B."

"I didn't want to change. I prefer to deal with a big company, like Supplier B as I have other products with them. Household insurances for pipes and the boiler."

Case study: switched externally

Profile: female, 35 – 44,
market sceptic, South West

The 'successfully nudged!'

Supplier
B CMOL

1-3 yrs
with
Supplier
B

Supplier B

Reaction

- Understanding of the message
- Surprise at the savings

"It was from Supplier B. It said that I can be on a cheaper tariff by moving onto another supplier and gave examples of other suppliers and their tariffs."

"The thing that really stood out I suppose was the level of savings they were talking about. I wasn't aware of the level of savings I could make."

"I don't know why I was sent the letter but I remember being curious that it was from Supplier B and immediately thought that someone had made them send it to me. It was relevant to me as it had been at the back of my mind that I ought to move supplier. I also know that there's been a lot in media about it [switching] and this also prompted me to do something about it. So I was happy to receive it."

Perception

- Aware of being able to save
- Supplier B/Ofgem both relevant senders
- Poor experience of Supplier B

"I think it was appropriate to come from Supplier B or Ofgem. If it came from a competitor, it would look like junk mail so it's better if it comes from your current supplier."

"I knew at the back of my mind that I was paying more than I should so the information in the letter wasn't too hard to believe. I was not surprised that there was not a deal from Supplier B because there was a lot of stuff about their lack of competitiveness in the media."

"I was quite happy to move from Supplier B anyway. Recently I'd had problems with their website not processing my reductions."

Impact

- Already considering but acted as a nudge to switch
- Had switched before

"Well I was convinced it was genuine and I didn't see the need to call Supplier B. I put the letter on a pile and added it to my to-do list. About 2 or 3 weeks later I went onto a comparison website and looked for the best deal for me. I had already thought about moving to another supplier before I got the letter so getting the letter reminded me to do it."

"I have switched before. I used to be with Supplier A then I switched to Supplier B. So I just went online to one of the sites that compare tariffs for you. I did notice that some of the offers in the letter had changed or they were no longer available."

"I liked the idea of Bristol Energy as I got discounts for being local and I liked the fact that they also direct some of their profits back into the community. That's the reason I picked them over the ones in the letter."

5

Conclusions



Conclusions

Reaction

Surprise at the communication

Surprise at savings

Positivity towards the concept

Clarity of the message

Lack of clarity about the context (why me?)

Scepticism of supplier motives

Perception

Trust in Ofgem

Loyalty to Supplier A

Distrust in the market

Scepticism towards the switching process
(prices, time, risk)

Impact

A nudge to explore the market

A nudge towards switching

Greater awareness of suppliers

Awareness of savings

Continued inertia/procrastination

Distrust in the market – better the devil you know?

Conclusions

The concept

Reaction to the letters is predominantly positive and consumers feel that **this should be a regular activity**, with very few suggestions about improving the clarity of the letter.

Should the letters be sent again, **providing clearer detail around the contextual background** on *why* certain customers were sent the letter would aid buy-in for the activity, and possibly encourage greater switching activity.

One addition to the letter, or in some other form of communication which would be particularly beneficial towards switching behaviour, is to **provide more education and transparency on the switching process, emphasising ease and providing reassurance about (lack of) risk**.

Price and **savings are the main elements which will grab attention** and act as a call to action (most effective when saving ~£150+).

Conclusions

Perceptions of the messenger

Perceptions of suppliers vary by individuals significantly, although there appears to be **more active trust and loyalty towards Supplier A based on positive service experiences.**

Perceptions and **loyalty towards Supplier B appear to be strongly influenced by length of tenure and distrust in the market as a whole ('better the devil you know')**, rather than through positive service experiences – a handful of customers outline very negative experiences.

Perceptions of Ofgem are positive on the whole, with many feeling **strong trust towards Ofgem as an organisation.**

Interestingly, **both suppliers and Ofgem are mostly viewed to be appropriate senders, but there is some cynicism about motives when the messenger is a supplier** (Ofgem endorsement provides reassurance).

Conclusions

Differences between the two
supplier trials

In terms of actions following the letter, **there are limited differences;** customers appear to be equally as likely to call their supplier or research online between both trials, with **most actions appearing to be driven by experience with the supplier and attitudes to the market.**

When the current supplier is included, it can present an easier and lower risk option, **but many will contact the current supplier regardless of whether they are included in the letter.**

Conclusions

Impact on switching behaviour

The **energy market causes strong inertia, distrust and negative perceptions**, with many consumers happy to stay with their current supplier rather than 'risk' switching.

For some, **unknown suppliers are treated with strong scepticism**, but others are happy to **explore new suppliers as a result of distrust towards the 'big 6', or to make a considerable saving**

For a lot of people, **the letter acted as a nudge rather than a realisation – with the exception of saving levels, which do cause surprise.**

Busy lives, distrust towards the process and negative perceptions of the market reduce the urgency of switching and lead to procrastination

Key learnings

Concept well received, letter clear and succinct

Direct mail more novel and effective than it used to be

Level of saving the key hook and call to action

Context of why individuals selected may reassure some – also present as a 'norm' ('other customers have saved x...')?

More direction on next steps useful, make it easy (but not 'automatic') but also position option of 'taking control' through own research

Useful nudge, particularly to those with an inkling they are on an expensive tariff

'Market sceptics' on longest tariffs are sceptical & risk averse, inclusion of own supplier may increase likelihood to switch (tariff)

The 'put to one side' procrastination issue is a barrier – include 'act now' messaging for a more immediate response?

Sender doesn't have major impact on credibility of letter, but Ofgem 'endorsement' is important

If you have any questions, please contact...

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