

Ofgem's collective switch trials



Behavioural Insights Unit

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Ofgem has been considering and tackling the problem of consumer engagement in the domestic energy market for many years

Following the Competition and Markets Authority (CMA) energy market investigation in 2016, we **introduced a new licence condition** requiring suppliers to participate in trials, **established an in house behavioural insights unit** and embarked on a programme of work to develop and test new ways to increase engagement in customers' energy choices

Full details of **Ofgem's Consumer Engagement research programme** and findings from all the trials that have been run can be found [here](#)

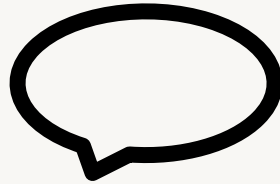
This pack details the results **from five Collective Switch trials**. We also conducted [Qualitative research](#) which is reported separately.

For each trial Ofgem conceived and designed the intervention and the methodology. An independent third party service provider (**energyhelpline**) was appointed to deliver the trial



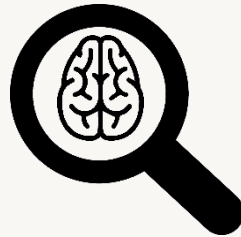
Consumers face a number of barriers when it comes to engaging in the energy-market and switching tariffs.

Customers
say ...



- Switching is a **hassle**
- Switching takes a lot of **time and effort**
- They are unsure about the money they could save
- They don't want an unfamiliar supplier

What
behavioural
science says ...



- **Status quo bias** – people tend to stick with the default
- **Choice overload** – too much choice leads to inaction
- **Personalisation** – people are more likely to act on messages that are relevant to them
- **Scarcity effect** – people tend to place higher value on things they believe are in short supply

Behavioural insights were incorporated into the design of the Collective Switch trials to help consumers overcome some of the barriers to switching

Customers received a series of **three letters** over a **seven week period**

**1st Letter:
Announcement**



Informed customers:

- they were on one of the most expensive types of energy tariffs and that they were eligible to access an exclusive tariff
- energyhelpline would contact them with their savings and next steps
- they could opt out of having their data shared

**2nd Letter:
Savings**



Informed customers:

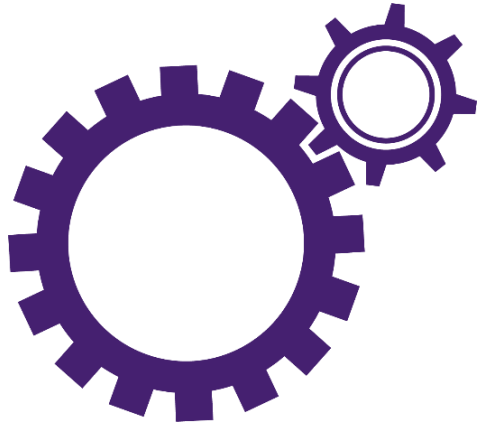
- of their potential personal savings if they switch to the exclusive tariff
- the steps to take to switch – provided energyhelpline website and phone number

**3rd Letter
Reminder**



- reminded customers of their personalised savings, the steps to take to switch and provided a clear deadline

7 weeks



All customers saw was the three letters – but the intervention was more complex. The following processes occurred without any involvement from customers:

- Data was **securely transferred** from customers' suppliers to the service provider and data cleaned
- Projected savings calculations are made 'behind the scenes' and included on the letters
- energyhelpline conducted an auction where suppliers bid to provide the exclusive tariff listed on the collective switch letter. **This tariff was not available on the open market.**

The collective switch differs from other collective switches in that customers do not have to proactively sign up or provide any tariff or consumption data

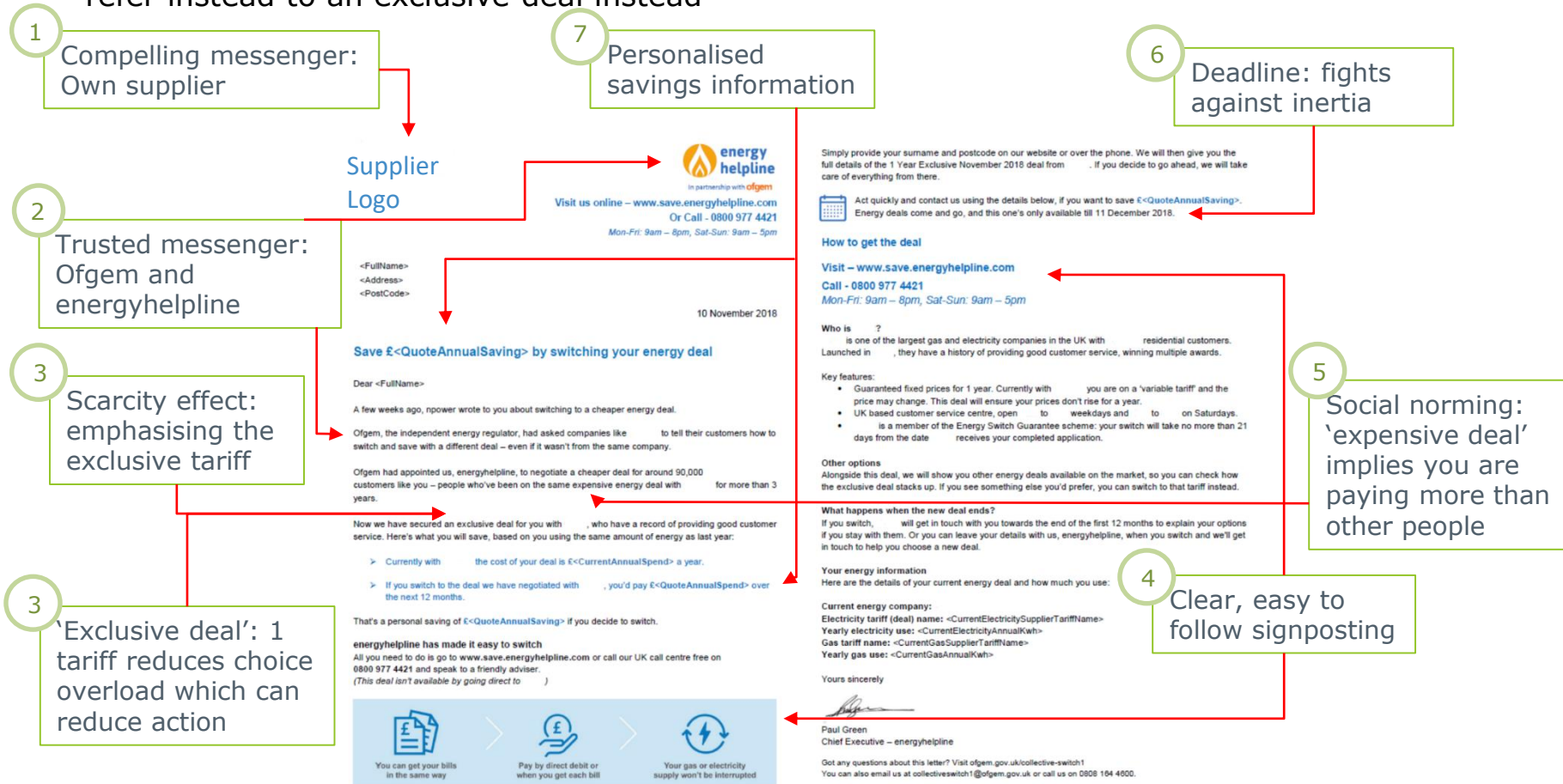


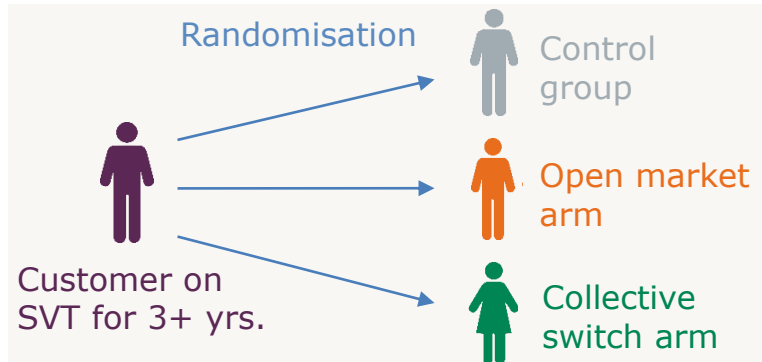
All the customer needs to do to switch is to contact energyhelpline by phone or email. They then have the choice of the exclusive tariff or another from the open market.

They could also choose to switch to another tariff with their current supplier, or to one with a competitor without using energyhelpline.

Behavioural insights applied in the design of the collective switch letters

- The letters were refined through three rounds of iterative user testing including interviews and focus groups with customers
- Participants found the term 'collective switch' confusing so we decided through this testing to refer instead to an exclusive deal instead





- Each collective switch trial was a **randomised control trial (RCT)**
- Participants were randomly allocated to either the control, open market or collective switch arm.

- All the trials involved customers on **standard variable tariffs (SVTs) for more than three years** – these are the 'stickiest' or most disengaged consumers
- To simplify the delivery of the trial some customer groups were defined as ineligible – this included customers who receive warm home discount, prepayment or smart meter customers and those who've opted out of direct marketing from their supplier
- The outcome measure for each trial was customers starting the switching process by contacting their supplier – either to switch to another tariff with their own supplier or switch away to another supplier.
- Switching was measured for four weeks after the collective switch tariff closed

- **Three large scale trials conducted from spring of 2018 to summer 2019**

Collective switch 1

Tested:

1. Efficacy of a collective switch (CS) intervention
2. Impact of the messenger

Supplier A

Arms		Price-cap
3	55,000	Pre

Collective switch 2

Tested:

1. Efficacy of CS at scale
2. Impact of CS compared to an open market intervention (no exclusive tariff)

Supplier B

Arms		Price-cap
3	105,000	Both

Collective switch 3

Tested:

1. Efficacy of CS at scale
2. Impact of CS compared to an open market intervention
3. Impact of the price cap

Supplier C

Arms		Price-cap
3	105,000	Post

- **Two further trials with smaller sample sizes and different aims in winter 2018**

Reengagement trial

Tested the impact of re-contacting participants six months after the CS1 intervention

Trial with Supplier A

Arms		Price-cap
2	5,140	Pre

Small and medium supplier trial

Tested the impact of the supplier offering the exclusive tariff






Trial with Supplier A

Arms		Price-cap
2	2,750	Pre

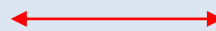
An additional intervention – the Open Market intervention was tested in the second and third trials. Customers either received a collective switch prompt or an open market prompt.

This was developed specifically to test the impact the exclusive tariff had on customer behaviour.





Collective switch

-  Informed customers that savings could be made from switching
-  Provided an exclusive tariff that customers could switch to
-  Provided clear, easy to follow signposting of how to switch tariff
-  Provided personalised savings from switching to the exclusive tariff
-  Included a deadline for switching to the exclusive tariff

Key difference



Open market

-  Informed customers that savings could be made from switching
- No specific tariffs were mentioned**
-  Provided clear, easy to follow signposting of how to switch tariff
-  Provided personalised savings that could be made from switching to a cheaper tariff
-  Included a deadline for switching

RESULTS

The collective switch intervention was the most successful in each trial

The first CS trial

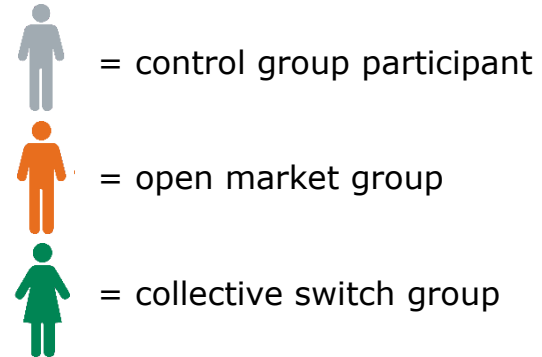
x10 increase in switching from control to supplier arm to **26.9%**



The second and third trials

x5 increase in switching from control to OM arm to **17.5%** in CS2 and **24.5%** in CS3

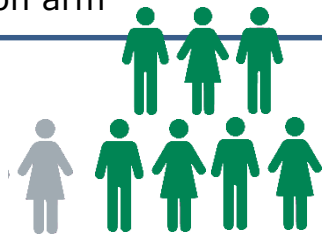
x7 increase in switching from control to CS arm to **24%** in CS2 and **29.5%** in CS3



- The supplier arm in the 1st trial most closely resembles the collective switch arms of the 2nd and 3rd trials
- The **open market intervention was successful** in encouraging customers to switch tariff – with a 5 fold increase in switching rate
- **But the collective switch intervention resulted in the highest switching rate** – with an 10 and a 7 fold increase in the switching rate

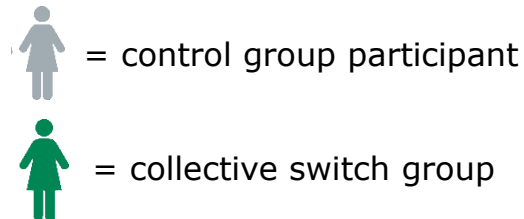
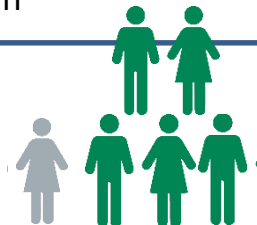
Reengagement trial

x7 increase in switching rate from control to intervention arm



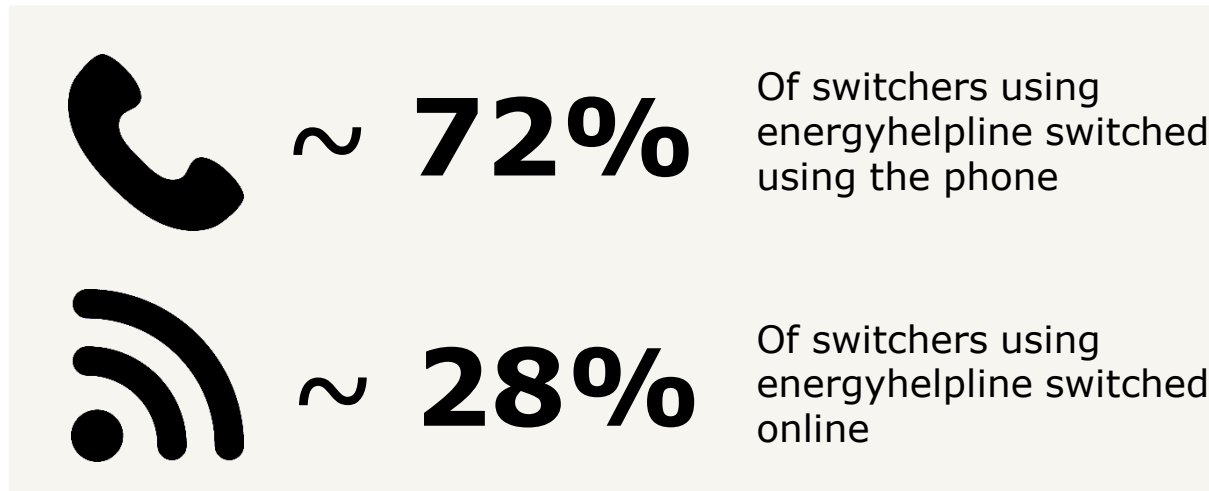
Small and medium supplier trial

x5 increase in switching rate from control to intervention arm



- When participants received a second collective switch intervention (**6 months after** the initial intervention) the switching rate increased from a control rate of **2%** to **14%**
- The CS intervention with a small or medium supplier offering the exclusive tariff was less impactful than the other CS trials. But it still resulted in a substantial increase in switching, from **4%** to **19%**

Phone switching is more popular than online switching with those using energyhelpline



The majority of customers, 72% on average, switching through energyhelpline did so using the phone, rather than the online service

This indicates a **strong preference for phone switching** and suggests offering digital services alone may not suffice for this group of customers

The collective switch intervention was almost as effective for customers on the priority service register*(PSR) who may be vulnerable

*PSR is a free service provided by suppliers to customers who meet certain criteria and may need additional support.

- **Customers generally chose the 'simple' option – the option signposted to them**
- For customers in the collective switch arm this meant choosing the exclusive tariff
- For customers receiving the open market intervention the 'simple' option was switching through energyhelpline

**Collective
Switch arm**



**Chose the
'simple' option**

1 st trial	44%
2 nd trial	70%
3 rd trial	67%

**Open
Market arm**



**Chose the
'simple' option**

1 st trial	n/a
2 nd trial	53%
3 rd trial	59%

- The small supplier trial was an outlier in this regard with only **26%** of switchers choosing the exclusive tariff – this may indicate the importance of brand recognition in customers' choice to switch

The collective switch trials have resulted in substantial overall savings

Total saved



£13.2m

Customers who switched across all the trials were projected to save a total of **£13.2 million** over the first year of their new tariff

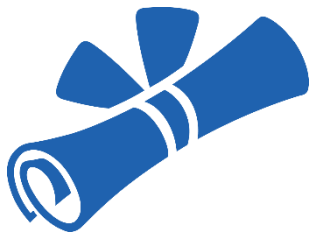
- **Customers made a substantial saving on average by switching tariff**

Savings	CS1	CS2	Small supplier	Reengagement	CS3
Total	£3.9m	£2.3m	£0.06m	£0.08m	£6.85m
Average	£298	£150	£243	£216	£259

- Those who switched to another tariff (not the collective switch) via energyhelpline saved the most money on average
- Participants who switched internally saved the least amount on average of all switchers



The Collective Switch intervention tackles more barriers to engagement than other trials in the Consumer Engagement programme. We think this is why it was more impactful than the other prompts we tested.



What have we learned about what drives switching?

The results imply* that the following elements were effective:

1. A short, simple, action focused letter
2. Salient, personalised savings
3. Reducing choice of tariff
4. Ofgem's endorsement
5. Switching support provided by an independent third party
6. Offering support by phone as well as on line
7. Reminding customers
8. Giving them a deadline to take action by
9. Making it simple for customers - sending consumption and tariff information directly to a switching service

*Due to the fact that these elements were not tested in isolation, it is not possible to isolate the impact each one had on driving switching

Collective switch interventions are successful at increasing switching among the most disengaged customers

- Proved beyond doubt that simple prompts and behaviourally informed interventions can increase consumer engagement
- **The Collective Switch intervention is the most effective** of the interventions trialled. It is more effective if sent from the customer's supplier rather than Ofgem
- Signposting to a specific tariff increases customers' likelihood of switching. The **Open Market intervention** is simpler to implement and successful at increasing switching rates, but less so than the collective switch.
- **Customers can be re-prompted** – the collective switch increased switching even among those who didn't switch first time round
- **Branding matters** – the intervention worked when the tariff was offered by a small supplier, but a larger supplier brand was more effective
- Vulnerable customers, such as customers on the priority services register can be engaged through a collective switch intervention

We are currently considering what role the Collective switch intervention could play in the future energy market

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.