



Making a positive difference
for energy consumers



Insights from Ofgem's consumer engagement trials

What works in increasing engagement
in energy tariff choices?

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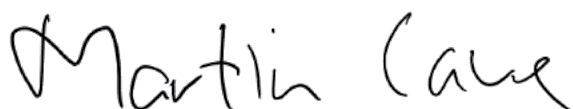
Chair's foreword

This paper shines a light on the benefits of using behavioural science in regulated markets. It presents the work of a three-year programme of research, which has demonstrated with great effect both the power of trialling in a regulatory context and the positive consumer outcomes that can be realised by designing policy interventions based on actual customer behaviour.

A big driver of this work was the Competition and Markets Authority's recommendation in 2016 that Ofgem establish an ongoing programme of trials to promote engagement in the domestic retail energy markets. Having been heavily involved in this investigation in my role as deputy panel chair, it is hugely encouraging to see this remedy being explored with positive outcomes. This work demonstrates the power of trialling to provide robust evidence on 'what works' in practice, providing a basis for future regulatory changes. I am keen that we, and other regulators, continue to use this test-learn-adapt approach in policymaking. Promoting customer engagement is a huge task and we still have a lot to do.

The field of behavioural science has moved on a long way in recent years and I am delighted that Ofgem can now contribute to the debate with this encouraging set of findings. The results have given us a new way of thinking about consumers - how and why they engage in the retail energy market, and the impact of different prompts to engage. I am also delighted that the value of this work has been recognised by prominent experts in the field, including by winning the 2019 Behavioural Exchange award for 'outstanding research'.

Having built up our in-house behavioural insight capability, I look forward to seeing Ofgem continue to explore the opportunities to build behavioural science into our regulatory work. In our strategic narrative published in July, we set out our objective of decarbonising to deliver a net zero economy at the lowest cost to consumers. Achieving this will require profound changes in the structure of our economy and in how consumers interact with the energy system. This will put even greater focus on ensuring we put the needs of consumers at the heart of what we do, and that we understand better the behaviour and decision-making of consumers and companies.



Martin Cave
Chair, Ofgem

Executive Summary

Prompting engagement in energy tariff choices

Over the last three years, Ofgem has produced world class evidence which proves that customers who haven't switched energy tariff for many years can be prompted to do so following simple, well designed letters and emails.

Our robust research programme has included ten trials and extensive qualitative research. This report outlines the findings from across all the trials, bringing together extensive evidence to draw insights about what works in changing customer behaviour.

These trials have included over **1.1 million energy customers**, and resulted in over **94,000 of them switching to new energy tariffs**, with most of them making an active choice about their energy tariff for the first time in years. In total, these customers have **saved around £21.3 million** between them.

This research programme was:

- Large scale, with the largest trial involving around 600,000 energy customers.
- Grounded in behavioural science and used a mixture of research methods to develop extremely robust evidence and insights
- Enabled by the introduction of regulatory powers that require involvement from energy suppliers.

Why does consumer engagement matter?

Consumer engagement can play an important role in ensuring markets work effectively, not only driving benefits for the engaged but for all consumers.

While almost all domestic energy customers are aware they can switch tariff¹ and the average customer could save over £300 by switching tariff², over 50% of customers remain on more expensive default energy tariffs.³

¹ [Ofgem, 2018, Customer Engagement Survey](#)

² Depending on their choice of tariff and other circumstances. See [Ofgem's data portal](#)

³ As of April 2019, 53% of electricity customer accounts and 51% of gas accounts excluding customers on prepayment, were on default tariffs. See [Ofgem's data portal](#)

As a result suppliers have been able to segment their customers – offering those who engage cheaper tariffs, while customers who haven't recently (or ever) switched remain on poor value default tariffs. In response, in July 2018, the UK Parliament passed legislation introducing a price cap to ensure default tariff customers pay a fair price for their energy, which came into force in January 2019. The majority of the trials detailed in the report took place before the introduction of the cap.

An evolving programme

Ofgem has been considering and tackling the problem of consumer engagement in the domestic energy market for many years, through the retail market review and our ongoing research and monitoring, but previous engagement remedies weren't trialled before they were implemented, and as a result didn't always produce the outcomes we were looking for.

Following the Competition and Markets Authority's (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 prompts to increase consumer engagement.

We began by testing interventions that the CMA had recommended, but our approach evolved over time. Some of the trials were designed in parallel, but each trial built on the learnings from previous trials.

Understanding behaviour to tackle disengagement

One of the key things which fed into our evolving approach was the use of **behavioural science**. We already knew a lot about the stated barriers to engagement from our consumer research; what behavioural science added was an understanding of the barriers that people don't tend to be aware of, but prevent them from making optimal decisions, such as putting off difficult decisions or sticking with the default. Behavioural science was applied in the design of the interventions to be tested and in the drafting of the communications.

What did we test and with which customers?

The programme tested a variety of interventions, but the majority were letters and emails sent to customers on default energy tariffs. There were 10 trials in total. Figure 1 shows the trials and how they were grouped.

The majority of trials were supported by pre-trial user testing to refine the design of the letters and post-trial qualitative research to understand consumers’ actions, reactions and experiences. We also made use of our Consumer Panel at various points in the process.

Figure 1: Ofgem trials conducted between 2016 and 2019



Our first trials were based on the remedies the CMA recommended, one of which was sharing information with suppliers, allowing them to market directly to their competitor’s customers. We built on their recommendation to develop a letter which signposted customers to three cheaper deals personally selected for them. We then built on this in two further large scale trials testing a similar intervention. Following this, we developed our Collective Switch intervention, which is also based around letters sent directly to customers but also removes as many steps from the switching process as possible. Separately, we tested a digital service and a prompt reminding customers coming to the end of their fixed term tariff.

Most of the trials were designed as randomised controlled trials (RCTs) so the impact of the additional information could be robustly compared against a control group who did not receive it.

Each trial was developed as a stand-alone project, run at different times, with different aims and different types of customers. There are limitations to comparing the switching rates of trials directly, but key insights have emerged from across the trials.

What were the results?

The results of all the trials and qualitative research show that **simple communications can prompt switching**, but that **some prompts are more effective than others**. While comparing across trials is tricky, we can see some trends. Generally, our Collective Switch Trials, which used a series of three letters signposting customers to an exclusive tariff and offering switching support through an independent third party, were the most impactful on tariff switching rates. For example, in our third collective switch trial switching rates increased **by 25 percentage points**.

Our 'Cheaper Offers' trials, where one letter signposted customers to three alternative tariffs (from across the market) tended to have less impact on switching rates, but were simpler to implement. In our large Cheaper Market Offers Communication trial, switching rates increased by **four percentage points**.

One of the reasons for this is that these prompts were effective for different types of energy customer. We know from previous research that different customers face different barriers to engaging in the energy market. There is evidence from this research that some customers had the capability and motivation to act but just needed a nudge, whereas others needed additional reassurance and hand holding to prompt them to take action.

Full details of the results of all the individual trials and accompanying qualitative research can be found on Ofgem's website.⁴

So, what works in engaging customers in their energy tariff choices?

The results from this research programme show that energy customers respond to communications which are:

- Simple and short
- Easy to understand
- Attention grabbing – focused on the potential savings from switching
- Personalised based on each customer's energy consumption
- Action focused – set out exactly what the customer needs to do next

⁴ <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/how-switch-energy-supplier-and-shop-better-deal/prompting-engagement-energy-tariff-choices>

Prompts which go beyond signposting to cheaper tariffs, but that take the (perceived) hassle out of the process are more impactful, as are communications sent from a customer's current supplier, rather than Ofgem. Generally, participants in our trials welcomed the information about their energy choices and found them easy to understand. They also welcomed being reminded about their options by follow up communications.

Where next for customer engagement?

We have been amazed at the scale of the impact that some of these prompts have had on tariff switching, even among customers who have not switched for many years. The results of these trials are unprecedented for communications based prompts, and show that **substantial numbers of energy customers will engage with their energy tariff choices, if given the right prompt.**

Despite the scale and robustness of this programme, **we still have a long way to go to 'solve' the problem of disengagement.** This is just the start of a journey into understanding energy customers and how we can help them make informed choices. These interventions haven't reached all our targeted energy customers, but there is evidence that even some of those that did not switch tariff did think more about their energy choices, sometimes for the first time in years.

Moving forward, we will be applying what we have learnt from these trials to the evolution of the energy market as decarbonisation continues and considering what role interventions such as the Collective Switch could have in the future retail market, once the price cap is removed.

We want to get our stakeholders involved in this thinking, so we will be hosting a number of stakeholder events to discuss what we've learnt from our trials to date, how this will apply to the evolving sector and what Ofgem's focus should be going forward. If you are interested in attending please contact the Future Consumers team at futureconsumers@ofgem.gov.uk.

1. Introduction

Context and related publications

Engagement and choices about energy tariff

1.1. This report summarises the findings and insights from a three-year research programme designed to find out what works in increasing engagement in the domestic energy market.

1.2. Consumer engagement can play an important role in ensuring markets work effectively. When people shop around for better prices, service or new offerings and do so in sufficient numbers, it should drive suppliers to respond by offering better products and services. The threat of customers moving to rival suppliers should, in theory, not only drive benefits for the engaged but for all consumers.

1.3. Almost all domestic energy customers are aware they can switch tariff⁵ and there is information about switching available on energy bills, and on price comparison websites. An average customer could save over £300 by switching tariff.⁶ Despite these level of savings, and the information, around 50% of customers remain on more expensive default energy tariffs.⁷ This is not because most of these customers are trying to change tariff and failing, they simply are not engaging in the first place – these customers are **disengaged from their energy tariff choices**.

1.4. As a result, suppliers have been able to segment their customers – offering those who engage cheaper tariffs, while customers who haven't recently (or ever) switched remain on poor value default tariffs.

1.5. In response, in July 2018, the UK Parliament passed legislation introducing a price cap to ensure default tariff customers pay a fair price for their energy, which came into

⁵ [Ofgem, 2018, Customer Engagement Survey](#)

⁶ Depending on their choice of tariff and other circumstances. See [Ofgem's data portal](#) for the price differentials between tariff types

⁷ As of April 2019, 53% of electricity customer accounts and 51% of gas accounts excluding customers on prepayment, were on default tariffs. See [Ofgem's data portal](#)

force in January 2019. The majority of the trials detailed in the report took place before the introduction of the cap.

1.6. While the price cap offers protection for default tariff customers now, this cap is temporary and we believe that there is real benefit to individuals and the broader energy system in enabling those consumers who wish to engage, to do so.

Development of the consumer engagement programme

1.7. Ofgem have been concerned about consumer disengagement for many years. In 2008 the Energy Supply Probe⁸ investigated disengagement in the domestic market, and in 2010 we launched a Retail Market Review⁹ which introduced a number of reforms designed to make the market simpler and fairer, such as the introduction of regular ‘prompts’ highlighting customer’s tariff choices. We carry out surveys with customers every year to understand why they don’t switch tariff, we monitor trends and we regularly do in depth qualitative research with disengaged customers. However, previous engagement remedies were either not trialled before they were implemented, or trials were attempted, but failed due to an over-reliance on supplier cooperation. As a result, they didn’t always produce the outcomes we were looking for.

1.8. In 2016, the Competition and Markets Authority (CMA) completed an extensive investigation into the retail energy market.¹⁰ They recommended Ofgem run a programme of trials to understand what works in increasing engagement in this market and introduce a new licence condition to give us the powers to require suppliers to take part.

1.9. One of the first things Ofgem did in response to the investigation was to create a dedicated, in-house Behavioural Insight Unit (BIU). This team is made up of behavioural scientists and social researchers. We then developed a programme of work to design and test new ways of increasing and maintaining consumer engagement. The Future Consumers policy team and BIU worked collaboratively to design and test engagement prompts using robust randomised controlled trials and qualitative research. This work is referred to as the

⁸ <https://www.ofgem.gov.uk/ofgem-publications/38437/energy-supply-probe-initial-findings-report.pdf>

⁹ https://www.ofgem.gov.uk/sites/default/files/docs/decisions/the_retail_market_review_-_implementation_of_simpler_tariff_choices_and_clearer_information.pdf

¹⁰ <https://www.gov.uk/cma-cases/energy-market-investigation>

Consumer Engagement programme. The results of this programme are set out in this paper.

So what is engagement? In this report, we talk about ‘consumer engagement’. In our trials, we measured a customer’s intention to switch energy tariff and used this as a proxy for engagement. The reality is much more complex. By engagement, we mean a customer’s ability and willingness to engage in their choice of energy supplier and tariff. We think of engagement as a spectrum, with some customers being very engaged, regularly shopping around for the best deal and potentially getting the latest energy saving kit for their homes, and others, at the other end, not ever thinking about it.

A person can be engaged, for example by knowing the tariff options available to them but decide not to switch. Equally a person can switch without being fully engaged in the process, perhaps using an automated switching service. A key outcome of interest to Ofgem is that the customer can make an informed choice about their tariff.

1.10. Full details of the trials included in this programme and the individual results can be found on the Ofgem website¹¹ alongside summary slide packs and qualitative research reports. The ten trials are:¹²

1. The Small Scale trial (2016)
2. Check Your Energy Deal trial (2017)
3. Cheaper Market Offer Letter trial (2017)
4. Cheaper Market Offer Communications trial (2018)
5. First Collective Switch trial (2018)
6. Second Collective Switch trial (2018)
7. Third Collective Switch trial (2019)
8. Re-engagement trial (2018)
9. Small and Medium Supplier trial (2018)
10. End of fixed Term Communication trial (2019)

¹¹ <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/how-switch-energy-supplier-and-shop-better-deal/prompting-engagement-energy-tariff-choices>

¹² A full list of trials and a summary of their design can be found in the Appendix.

The retail energy market and the power of defaults

1.11. The domestic energy market has two main types of tariffs. Fixed-term tariffs guarantee a fixed price per unit of energy for an agreed period of time, normally one or two years. Default tariffs have no end date and the cost of a unit of energy can go up and down (from January 2019 this is to a level set by Ofgem, known as the default price cap¹³). Default tariffs tend to be more expensive for the same level of energy consumption than fixed tariffs and most customers can save money by switching from a default to a fixed tariff.

1.12. In energy, if a customer never makes an active choice to switch, or switches to a fixed-term tariff but takes no action when the tariff ends, the customer will automatically be placed onto their current supplier's default tariff.¹⁴ This is known as the default choice, which has a huge impact on behaviour – humans generally prefer to 'go with the flow' and stick to the default choice. It takes cognitive effort to change away from the default choice.

1.13. The default at the end of a fixed energy tariff is to be placed onto the same supplier's default tariff and to remain there unless the customer actively chooses otherwise. Suppliers do send prompts and reminders to customers as part of their regular communications, such as their energy bills. However, despite this easily accessible information, many remain on default tariffs.

Applying behavioural insight to prompting customer engagement and trialling with customers

1.14. Behavioural Insight is the application of behavioural science to improve outcomes for people and organisations. It challenges the assumption that people always behave rationally and make optimum decisions by bringing together insights from psychology, economics and related fields to provide a much more realistic model of human decision making. It is often assumed to be simply low-cost interventions designed to improve

¹³ <https://www.ofgem.gov.uk/energy-price-caps/about-energy-price-caps/price-my-energy-bill-capped/default-tariff-price-cap> note that some suppliers have derogations for their 'green' tariffs

¹⁴ This could be a variable or fixed term default: <https://www.ofgem.gov.uk/publications-and-updates/decision-default-tariffs-domestic-customers-end-fixed-term-contracts>

outcomes by tweaking existing services (sometimes called nudges). But it goes far beyond this, bringing an understanding of human behaviour into policy and service design. It is based on the premise that understanding the drivers and barriers to behaviour is key to improving services designed to change these behaviours. It acknowledges that these behavioural barriers can be both conscious and unconscious, and that both types have to be addressed for successful behaviour change.

1.15. Behavioural insight is particularly powerful when applied to behaviours where people intend to behave in a certain way, but do not get around to completing that behaviour. Often this will simply be due to it falling down the customer's 'to do' list and them forgetting. From the customer's perspective, changing energy tariff will be one of many similar decisions that require their attention - others include renewing various insurance policies, telephone and broadband contracts over a year, and can easily be overlooked.

1.16. There is a growing body of literature about human decision making that the interventions described in this paper build on.¹⁵ Through behavioural science it is being increasingly recognised that relying on information alone to change behaviour is not sufficient to effect behaviour change¹⁶. Previous studies looking at the impact of applying behavioural science to communication based interventions have shown the benefit of utilising social norms, message framing and planning prompts to increase adherence.¹⁷ In particularly complex markets, where the amount of choice and decisions can feel overwhelming, these techniques can be especially beneficial, and can go beyond simple changes to communications.¹⁸ These trials build on this previous work to combine behaviourally informed communications, with secure data sharing and partnership working to remove as much friction from the energy tariff switching process as possible.

1.17. The best way to know if prompts work is to test them with customers in real world conditions. Specifically, the most robust evidence can be generated using randomised controlled trials (RCTs) where one group of customers is selected to be given a particular prompt and another group receives nothing. The impact on their behaviour can then be

¹⁵ See [Tyers et al \(2019\)](#) for a review of the behavioural techniques applied in the development of these interventions

¹⁶ For example, see Fletcher, A (2019). [Disclosure as a tool for enhancing consumer engagement and competition](#)

¹⁷ See Helping people get a better deal: Learning lessons about consumer facing remedies <https://www.gov.uk/government/publications/ukcn-consumer-remedies-project-lessons-learned-report>

¹⁸ Chater, N., Huck, S. And Inderst, R. (2010). Consumer decision-making in retail investment services. Report to the European Commission (SANCO).

measured by looking at how many of the customers in the two groups chose to change energy tariff.¹⁹

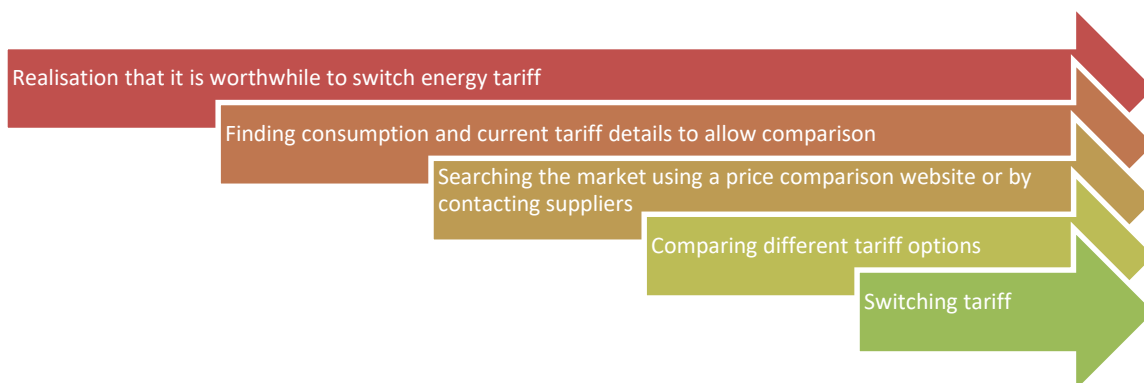
¹⁹ Trials measured customers' intention to switch tariff, rather than whether the switch was completed

2. Why don't people engage with their energy tariff choices?

Why don't customers switch energy tariff?

2.1. Switching energy tariff sounds like a simple action, but actually contains a number of steps, especially if the switch is to a tariff with a new supplier.

Figure 2: typical customer journey for switching energy tariff with a new supplier



2.2. There are a range of conscious and unconscious barriers that impact on engagement. When we ask customers why they don't switch in surveys²⁰, common responses include that they are satisfied with their current supplier or tariff, that they think switching will be a hassle and that the savings from switching are not large enough. Awareness of being able to switch tariff is high even among disengaged customers. We also know from these surveys that disengaged customers tend to be older, less digitally literate and from lower income groups.

²⁰ <https://www.ofgem.gov.uk/publications-and-updates/consumer-engagement-survey-2018>

2.3. Our surveys report that, by far, the biggest motivator for tariff switching is saving money. However, despite the savings on offer, around 50% of energy customers are on default tariffs which tend to be more expensive.²¹

2.4. Attitudes to engagement vary among different customer groups. For example, our customer segmentation²², based on survey data, found that 'hassle haters' are put off switching by the perception of the time and effort it takes, whereas 'contented conformers' are put off by the perceived risks of switching supplier, especially to less well known ones.

2.5. We know from behavioural science, that there are also barriers that people aren't aware of that stop them behaving optimally (unconscious barriers).

How did we design the interventions?

2.6. All our trials started from the same point: how can we design interventions so that they encourage customers to switch energy tariffs? The communications and services were designed to address both the conscious and unconscious barriers to engagement. We know that the disengaged are not a homogenous group, so we designed the interventions to tackle as many of their different needs and barriers as possible.

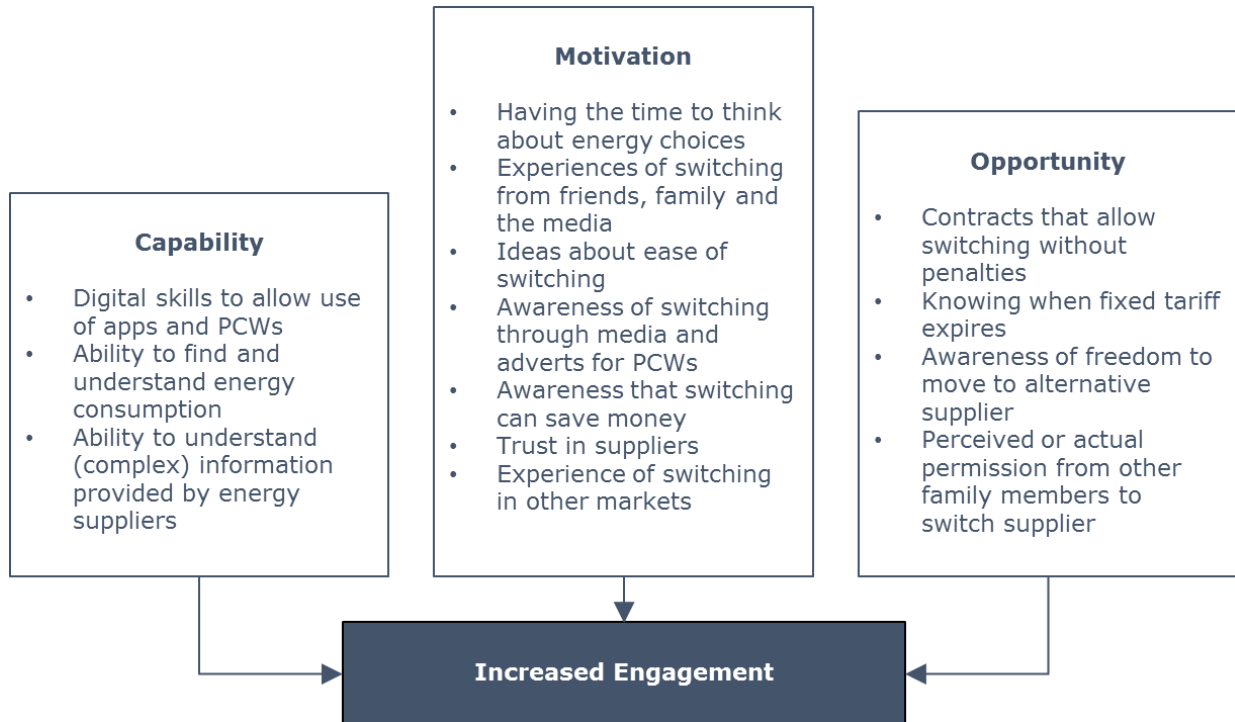
2.7. Ofgem have been collecting evidence about why customers do not engage with their energy choices for many years. As a starting point for this programme we conducted an extensive review of existing evidence and completed a behavioural analysis. We used COM-B²³, a model of behaviour change that states for an individual to behave in a certain way, they need the capability, motivation and opportunity. We used this to develop an in-depth understanding of engagement.

Figure 3: A simplified COM-B model showing the main drivers of engagement

²¹ See [Ofgem's data portal](#)

²² <https://www.ofgem.gov.uk/publications-and-updates/consumer-engagement-survey-2017>

²³ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3096582/>

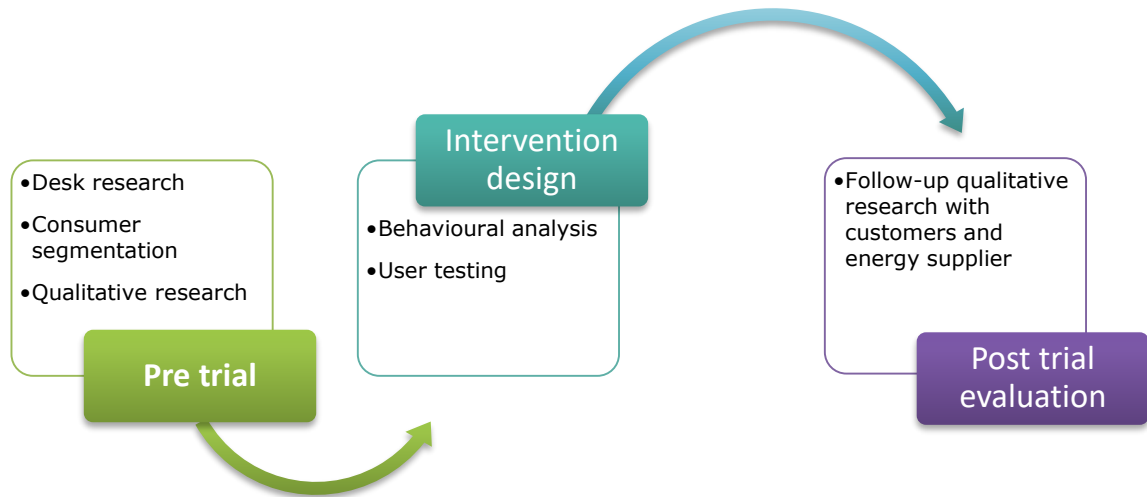


2.8. In parallel we began testing the interventions that the CMA had recommended. Our approach evolved over time, each trial built on the findings from the previous trial as our understanding of consumer engagement became increasingly sophisticated.

2.9. When developing communications we did extensive user testing with our target audience. This testing was done in 'sprints', each time testing a version of the communication and iterating it based on customer feedback. For example, when we were developing the letters for our Collective Switch trial we did three rounds of user testing, including individual in-depth interviews and focus groups. Throughout the process we also drew on copy writing and graphic design expertise where necessary to further improve the drafting and design. This upfront iterative testing approach was key in developing communications that were clear and well understood by customers.

2.10. Ofgem was responsible for the content of the letters, but we worked collaboratively with the participating energy suppliers to ensure communications that came directly from a customer's current supplier, looked and sounded like they did.

Figure 4: Process of developing the interventions



How have we addressed the barriers to engagement?

2.11. Through our research we distilled a lot of insight about customers’ needs and biases. Figure 5 shows how we built this into the design of our interventions.

Figure 5: How we used customer insight to develop the interventions

Customers tell us they...	So we...
Are unclear about the money they could save by switching tariff	Highlighted the personalised potential savings in all our comms aimed at Disengaged Customers
Think comparison can only be done online	Our comms were mainly letter-based. Customers were reassured they wouldn't have to change their account management or payment method
Don't know where to find the information to make a comparison	Included the information on the letter so it is there when the customer wants to switch. The collective switch interventions went one further and sent this information straight to the third party service provider
Think switching will be a hassle	Removed steps from the switching process by summarising the information needed and signposting to cheaper deals. We explained this process with infographics
Don't want an unfamiliar supplier	Some of our trials contained cheaper tariffs from their existing supplier. In the collective switch trials only suppliers with positive Citizen's Advice ratings were promoted on the letters
Don't trust suppliers or price comparison websites	The collective switch interventions signpost customers to a price comparison service that is endorsed by the regulator
Worry the switch will go wrong, or their supply will be cut off	Our comms highlighted that supply won't be affected. We provided reassurances, including the role of the regulator

Figure 6: How we used behavioural insight to develop the interventions

Behavioural science tells us people...	So we...
Tend to stick to the “status quo” and the default choice	Designed attention grabbing comms with a clear message. We made moving from the default easier by removing friction
Are more likely to value if they feel it is personal to them	Highly personalised the comms sent directly to the customer, including their consumption and savings. The collective switch letters refer to an “exclusive” tariff only available to customers like them
Respond to simple, short messages	Unlike many comms from energy suppliers, these were designed to be short, simple to read and clear
Get overwhelmed by too much choice	Signposted to a small number of tariffs personally chosen for the customer
Tend to put off difficult decisions, sometimes indefinitely	Some of our trials included reminders and deadlines

2.12. Although the prompts developed and tested in this programme appear to be simple communications, the reality was much more complex. One of the main barriers we wanted to overcome was the perception that switching is a hassle, and so we wanted to remove as many of the steps in the switching process that the customer has to complete as possible. For the Collective Switches, this included us enabling the sharing of customer’s data from their supplier with price comparison websites, designing auctions to identify exclusive tariffs and finding a suitable customer partner to help customers with the switching process. As we show in chapter 4 this was very successful.

3. What did we trial?

3.1. There were ten trials in this programme involving over 1.1 million customers in total.²⁴ All apart from one were designed as randomised controlled trials (RCTs), the most robust form of impact evaluation.²⁵ In RCTs, the impact of an intervention can be robustly measured against a control group of participants who did not receive the intervention. In our trials, the impact of the letters and emails were compared to a group of customers who did not receive them.²⁶

3.2. These trials were 'field trials' conducted in real world conditions and suffered the same unexpected variations to their planned delivery. For example, letters were delayed due to bad weather, some suppliers didn't collect all the data on customers, some trials coincided with energy price increases and subsequent media coverage. This is to be expected with any trials of this kind and is one of the reasons we did a number of trials of similar communications to be certain of the results.

3.3. The programme tested a variety of interventions, but the majority were letters and emails sent to customers on default energy tariffs. Each trial was developed as a stand-alone project, with different aims and different types of customer. We defined eligibility on a case-by-case basis. We wanted to generate evidence on what works for a variety of customers, including those who have been on a standard variable tariff (SVT) for a shorter period of time (the CMOC trial), the long term disengaged (Collective Switch trials) and those customers who were coming to the end of their fixed contract (the End of fixed term notice trial). Although each trial was different, we learned a lot from each trial and built the learnings into the design of each subsequent trial.

3.4. Each of our trials tested the impact of a new communication or service sent to energy customers against a control group. This is a group of customers that did not know they were part of a trial. They were identified by their supplier at the same time as the rest of the trial participants, and 'ring-fenced' so they would not become part of any other research or sent any other communications. These customers received only their regular,

²⁴ A summary of the details of the trials can be found in the annex to this report. Full results and details of the methodology can be found on Ofgem's website:

<https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/how-switch-energy-supplier-and-shop-better-deal/prompting-engagement-energy-tariff-choices>

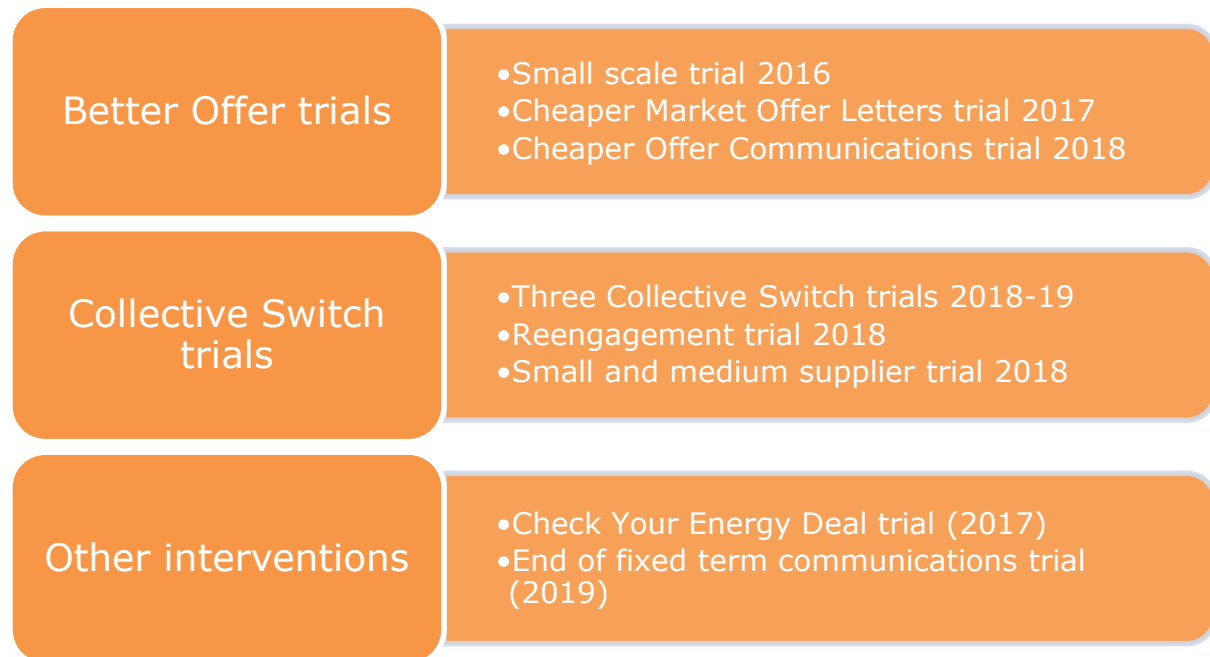
²⁵ <https://www.gov.uk/government/publications/the-magenta-book>

²⁶ The outcome measure was a customer's intention to switch energy tariffs for either or both of their gas and electricity

statutory communications from their supplier, such as bills, statements and notifications of any price changes.

3.5. The prompts we trialled and how they are grouped is shown in Figure 7.

Figure 7 – Ofgem’s ten consumer engagement trials



3.6. **Our Better Offer trials** were a single letter or email signposting customers to three personalised, cheaper tariffs, highlighting the potential savings and summarising the information the customer needs to make a switch. The customer then needs to contact a supplier, or search for a better deal, themselves.

3.7. **The Collective Switch trials** were three letters signposting customers to one cheaper, exclusive tariff²⁷, highlighting the potential savings and summarising the information the customer needs to make a switch. The letters suggest the customer contact a named third-party switching service who will already have their information and be able to search the market for them.

3.8. Originally, these categories of trials fell under two different internal work streams, which is why they have slightly different target audiences. The Collective Switch and Check

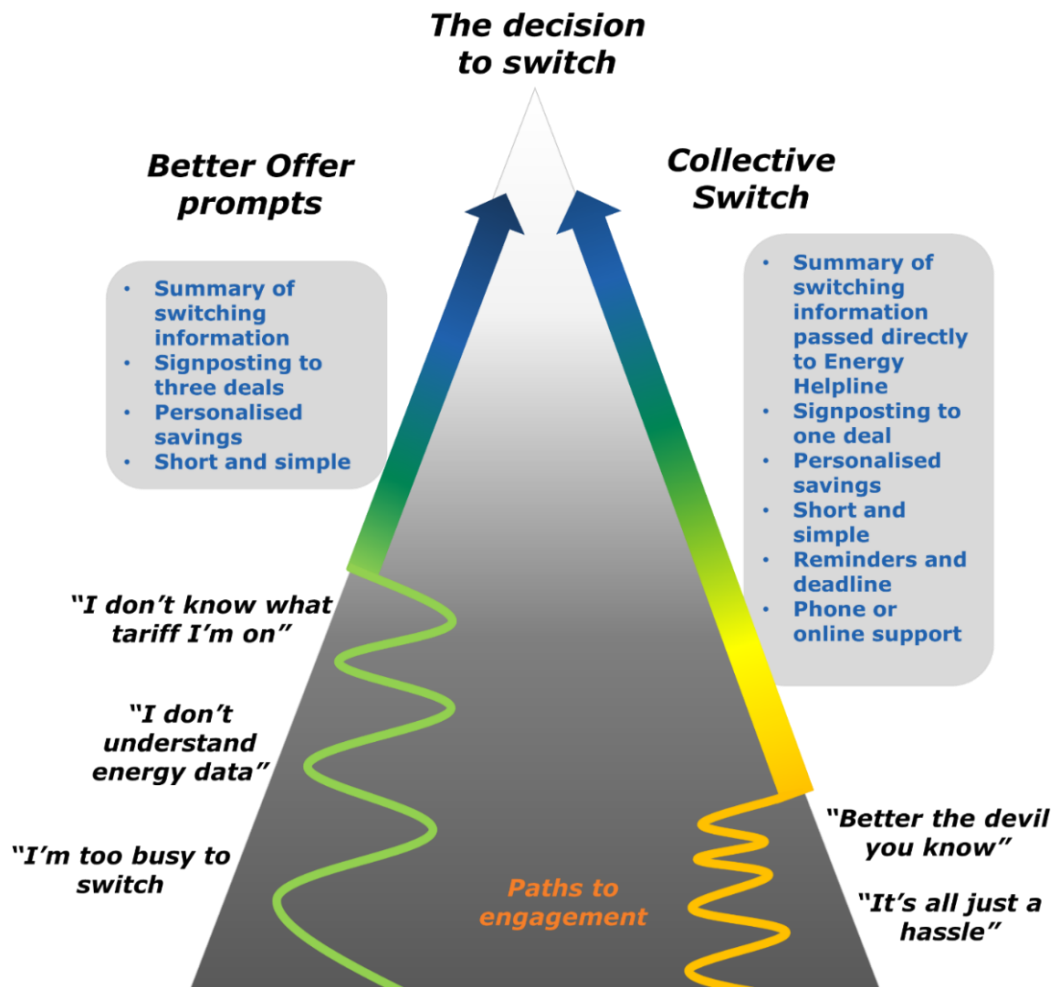
²⁷ This was a tariff that was not available on the open market, and was only available to customers participating in the Collective Switch

your energy deal service were originally conceived as potential services under the disengaged customer database²⁸, and were targeted at customers who had been on default tariffs for three years or more. The remainder of the trials were part of the 'prompts to engage' work stream which focused on increasing engagement among all default tariff customers and maintaining engagement among previously engaged customers.

3.9. Both types of intervention aim to remove the hassle from switching, and the number of parts of the switching process that need to be completed by the customer, but the Collective Switch goes further by sending the data the customer needs to switch tariff directly to a third party switching service, who can also help the customer switch. This is illustrated in the below diagram which shows the main differences between the two types of intervention, and how they take the hassle out of searching the market and the switching process.

²⁸ <https://authors.ofgem.gov.uk/publications-and-updates/energy-customer-database-update-open-letter>

Figure 8 Removing hassle from switching tariff



The Better Offer trials

Removing hassle by sign posting to three, personalised cheaper offers

3.10. There were three trials in this category – our Small Scale trial, the Cheaper Market Offer Letters (CMOL) trial and the Cheaper Offer Market Communications (CMOC). All these trials tested iterations of a similar prompt – **a simple, personalised letter highlighting the savings the customer could make from switching and signposting three cheaper tariffs**. The customer would then need to contact their own supplier or one highlighted on the letter or email to make the switch. They could also use a Price Comparison website, or other means, of searching the market. We included their current tariff and consumption data in the letter to make the process of switching easier.

1. The Small scale trial

3.11. This was our first RCT²⁹ initiated in November 2016. We refer to it as the small scale trial as, for practical reasons, it was limited to 2,400 customers who had been on a default tariff for over three years. It tested one of the interventions recommended by the CMA in their 2016 market investigation against one developed by Ofgem.

- The CMA database remedy approach, where customers were sent marketing from up to three competitor suppliers. This meant that most of the customers received six marketing letters in total.
- A personalised 'Best Offers Letter', branded from Ofgem, presented three cheaper tariffs from rival suppliers in a single letter.

3.12. As well as the RCT, we carried out qualitative research with customers before and after the trial. The results of the trial showed that both interventions had a statistically significant impact on switching, meaning we can be assured it wasn't down to chance. 13% of customers in the CMA marketing arm chose to switch and 12% of those in the Best Offer Letter arm, compared to just 7% of the control group. Although this trial was successful in encouraging switching, qualitative evidence gathered after the trial found that some customers in the CMA arm felt they were receiving too many letters. Those in the Best Offers Letter arm welcomed the simplicity of the single letter.

2. Cheaper Market Offer Letters trial (CMOL)

3.13. Building on the findings from the 'Best Offers Letter' trial which had shown that a letter from Ofgem showing cheaper tariffs could be successful we wanted to understand how this type of intervention would work on a wider group of default tariff customers (not just those on default tariffs for more than three years). We also wanted to understand the impact of the messenger, ie whether there was any difference in impact if the letter was sent by Ofgem or suppliers. This was our first large scale RCT and was conducted in summer 2017. Around 150,000 energy customers who had been on a default tariff for over one year were randomly allocated to receive either:

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https://www.ofgem.gov.uk/system/files/docs/2017/11/small_scale_database_trial_slidepack_pdf.pdf

- no letter (the control group)
- an Ofgem branded letter
- a letter branded as coming from their current supplier

3.14. Rates of tariff switching were measured after 30 days. The results showed that the letters increased switching from 1% in the control group to 2.4% in the Ofgem arm and 3.4% in the supplier branded one. This was a statistically significant result. This finding of supplier branded letters being more impactful than Ofgem ones is one we see repeated across numerous trials.

3.15. We found that customers in all of the trial arms were more likely to choose a new tariff with a new supplier, rather than one with their existing supplier. The qualitative research after the trial found that customers generally welcomed the letters, but some felt it was unusual to get a letter from their supplier telling them about deals with competitors. Some respondents felt that a single letter was not enough and was easily forgotten.

3. Cheaper Market Offer Communications trial (CMOC)

3.16. The Cheaper Market Offers Communications (CMOC) trial was our largest in terms of customer numbers, with around 600,000 involved from five different energy suppliers – three large and two mediums. It built on the findings of the CMOL trial by including a much more diverse range of customers from across more suppliers including customers on prepayment meters, customers in debt and those who had been on default tariffs for three months or more. Only those who had opted out of marketing from their supplier and those with restricted meters were not eligible.³⁰ This trial took place in summer 2018. This trial also tested a number of variations of the CMOC intervention:

- with only the three market cheapest tariffs or with the top two cheapest tariffs³¹ and the incumbent supplier's own cheapest tariff
- by letter or according to the customer's communication channel preference (either letter or email)
- with or without a follow up reminder

³⁰ Specifically, non-Economy 7 restricted meter customers.

³¹ The tariffs were personalised to the customer's existing payment method, tariff type and method of account management.

3.17. The design means that each variation of the CMOC is tested along with every other variation so that the most effective combination can be identified.

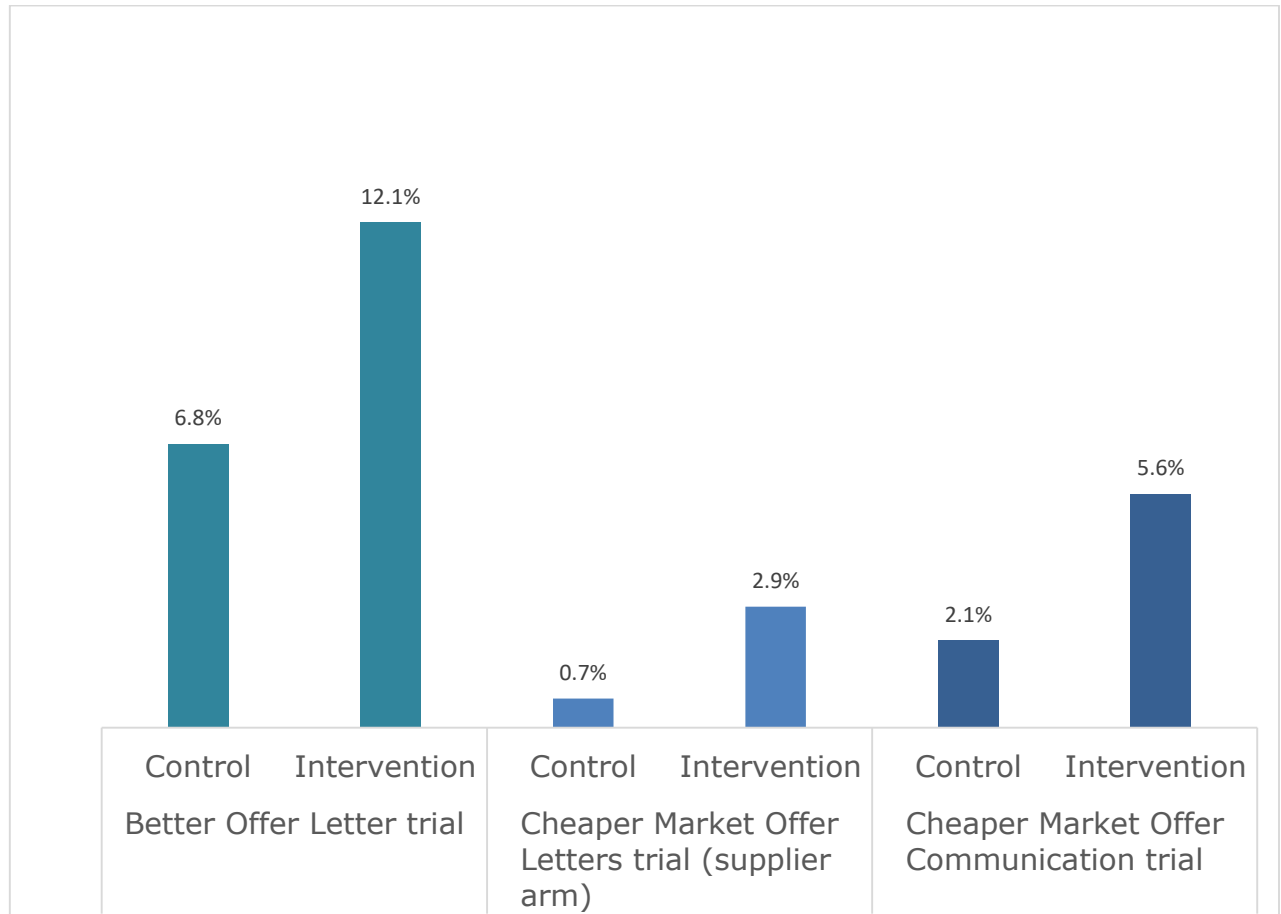
3.18. The results show that the CMOC was an effective prompt for switching. Compared to a switching rate of 2.9% in the control group, switching reached an average of 6.8% across all treatment groups and 7.5% in the most effective trial arm, which was a letter that included the supplier's own cheapest tariff alongside competitor tariffs and was followed up with a reminder. The only variation in the design of CMOC to have any substantive impact on switching was to issue a follow up reminder. Including the incumbent supplier's own cheapest tariff on the CMOC made very little difference to switching rates relative to sending the CMOC with the three market cheapest tariffs.

3.19. Although the majority of customers did not switch tariff, our qualitative interviews found that customers understood the communications and were generally positive about being informed of tariffs from other suppliers. They welcomed being offered a choice without having to shop around themselves.

3.20. The results from these trials show that 'Better Offer' letters and emails do have an impact on switching. The most successful letter from our Cheaper Offer Communications trial increased switching by five percentage points when compared to a control group who didn't get the communication. The chart below shows the impact of these three Better Offer trials.³²

³² For details of the full results of these trials see the [Small Scale trial](#) report, the [Cheaper Market Offer Letters trial report](#) and the [Cheaper Market Offer Communications trial report](#)

Figure 9 - Switching across the three 'Better Offer Letters' trials³³ (for customers who have been on default tariffs for over three years)



The Collective Switch trials

A series of three letters signposting to an exclusive tariff, reducing hassle through providing dedicated online and phone support

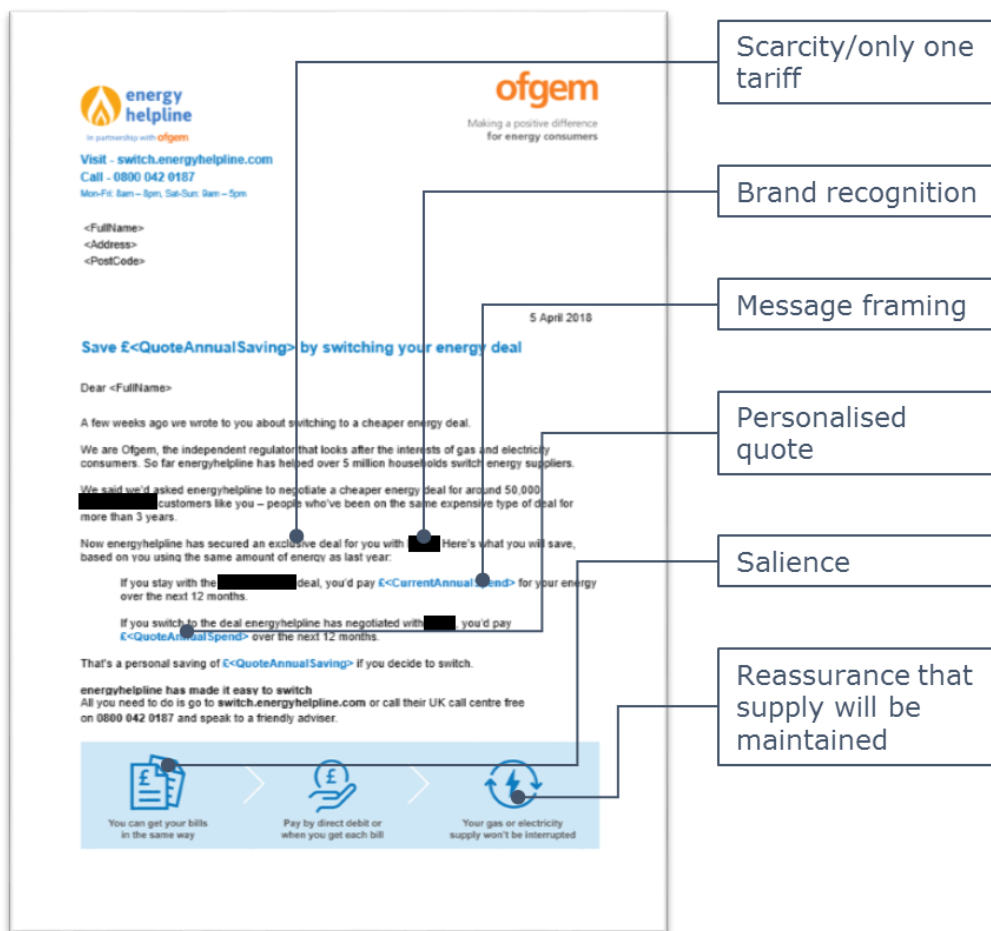
This was a package of five trials which tested whether sending a series of **three letters over a seven week period, offering customers access to a cheaper tariff and signposting them to a third party switching service who already had their data.**

³³ This chart is designed to give an indication of the impact of these Better Offer intervention. Care must be taking when comparing across trials. these trials were with different suppliers, different tenures, different times of year. The impact was designed to be compared to the corresponding control group only. This chart only includes customers who had been on a default tariff for over three years to maximise comparability.

There were two key elements of this prompt, firstly the exclusive tariff, which was negotiated by Ofgem and not available on the open market. Secondly, customers' data was sent straight from their supplier to the third party intermediary, energyhelpline, so the customer didn't need to find it themselves. Customers were sent three letters, the first telling them about their data being sent to energyhelpline and giving them the option to opt out, the second informing them of their potential savings from switching tariff and what to do next, and the third reminding them of their potential savings and the deadline for accessing the exclusive tariff. We went through a thorough data protection and data security process.

Full details of the intervention can be found in the main report summarising the Collective Switch trials³⁴ report, but an example of the second (of three) letter sent to customers in the trial is shown in figure 10.

Figure 10 Example Collective switch letter showing how behavioural insight was applied

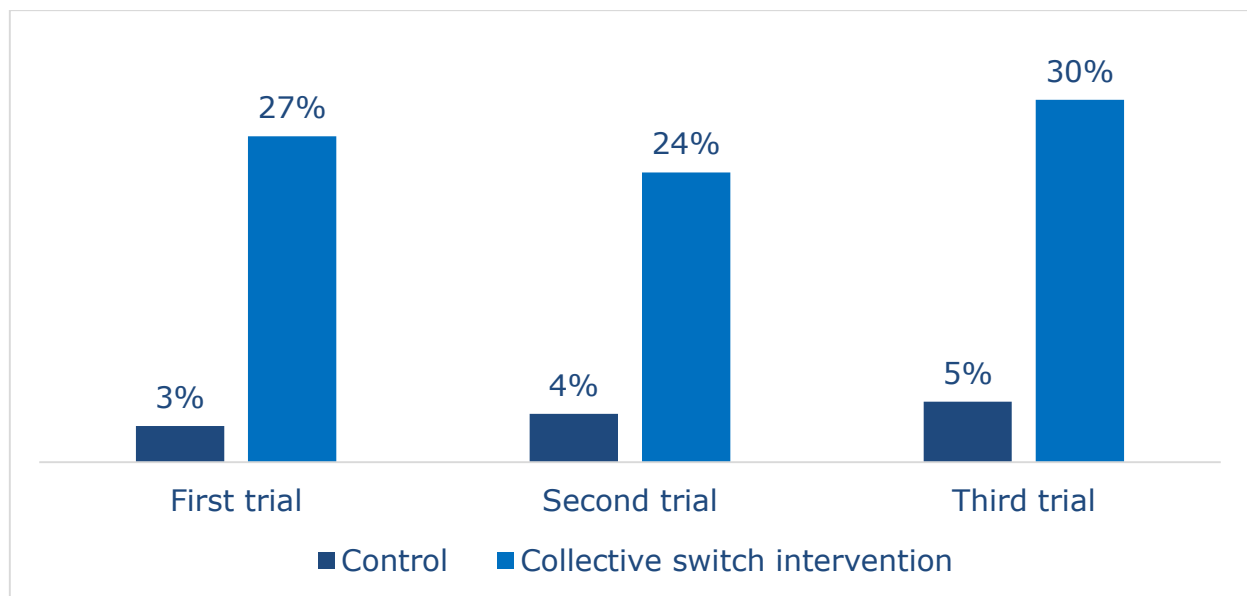


³⁴ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-s-collective-switch-trials>

3.21. The first Collective Switch trial tested the impact of letters sent from Ofgem against identical letters sent from a customer’s existing supplier. The results confirmed findings from previous trials that the supplier branded letters were much more impactful.

3.22. After the first trial, we were amazed at the scale of the impact of the letters (see Figure 11). This was an unprecedented change in behaviour from a communications based intervention. So much so, that we were unsure if it was a ‘one-off’ result, or something to do with those particular customers in the first trial. So we designed two further trials to test the intervention with different suppliers and see how the intervention worked at a larger scale.

Figure 11 Switching across the three main Collective Switch trials ³⁵

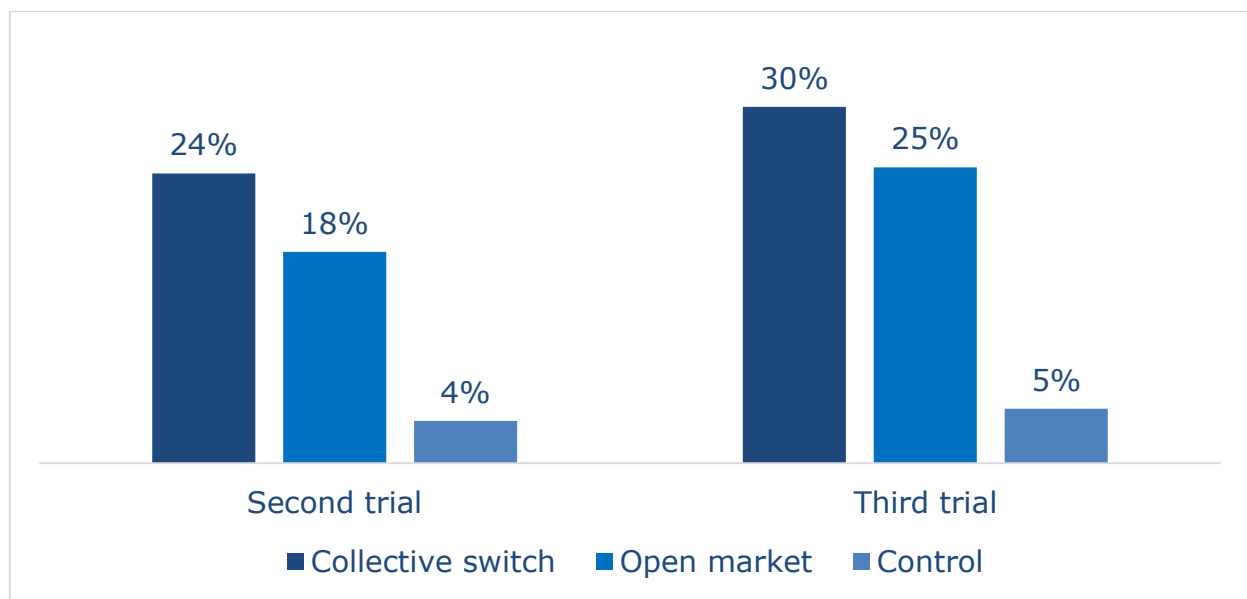


3.23. After the first trial, we were interested to find out how much of a role the presence of the exclusive tariff had on switching. So, in the second and third trials we tested an ‘open market’ intervention. This was identical to the Collective Switch but with the reference to the exclusive tariff removed, instead giving customers their potential savings

³⁵ This chart is intended to be indicative of the scale of the impact of the Collective Switch intervention. These trials were run at different times, with different suppliers and under different market conditions. They were designed to show the impact of an intervention in comparison to the other arms in the same trial, and are not directly comparable to each other.

against the cheapest tariff offered by energyhelpline. The 'open market' prompt appears similar to the customer, but is simpler to implement, as it removes the need to hold an auction to determine the exclusive tariff. The results show that while the open market arm had an impact on switching rates, it was substantially lower than the collective switch intervention. This implies that the existence of the exclusive tariff is important in maximising the impact of this intervention.

Figure 12 Switching rates in the Collective Switch and Open Market arms ³⁶



3.24. There were two other, smaller trials included in the Collective Switch suite. One tested the impact of supplier brand of the exclusive tariff. In the first trial, the winner of the auction to provide the exclusive tariff was one of the larger, better known energy suppliers. We wanted to find out how much this may have driven the substantial impact of the trial. Therefore, in this trial, we changed the criteria of the auction so the tariff would be offered by a less well known supplier. The results showed it was still a successful intervention, with 19% switching in the intervention arm compared to 4% in the control arm. However, this

³⁶ This chart is intended to be indicative of the scale of the impact of the Collective Switch and Open Market interventions. These trials were run at different times, with different suppliers and under different market conditions. They were designed to show the impact of an intervention in comparison to the other arms in the same trial and are not directly comparable to each other.

was a reduced impact than seen in the first trial.³⁷ In addition, a lower proportion of customers chose the exclusive tariff in comparison, implying it was less attractive to customers.

3.25. The other smaller trial targeted customers who hadn't chosen to switch in the very first collective switch trial and tested whether they would switch if given a second opportunity six months later. Customers were sent three new letters, identical from the first trial, but updated with a new exclusive tariff and personalised savings. The results showed a substantial increase in switching, from 2% in the control group to 14% in the group who received the letters.

3.26. All together, the results of the Collective Switch trials show that a simple intervention (from the customer's perspective at least) can lead to substantial behaviour change.

Other engagement interventions

3.27. We also ran two other trials that do not fall in to the categories described above. These tested the impact of a digital switching service and prompted customers at the end of a fixed tariff.

Check your Energy Deal (CYED) trial: testing a digital switching platform

3.28. This trial took place in Northampton in autumn 2017. It was the only trial not designed as an RCT. This is because the main component of the intervention was a digital platform designed to iterate following customer feedback and because it is impossible to randomly allocate a service designed to be shared on social media. It was delivered iteratively and improved as customers started using it. 10,000 eligible customers were sent letters directing to a secure digital service. The service was also advertised on social media and accompanied with an assisted digital service. Customers could log on to the website and find an alternative tariff. As this was not designed as an RCT, a control group was retrospectively formed from 80,000 energy customers from the same supplier, and outcomes compared across the two groups to determine the impact of the trial. Results show that switching increased from 3% in the control group to 5% for the customers who

³⁷ These trials were with the same incumbent supplier to maximise replicability

received the CYED service. However, few customers switched directly through the digital switching service.³⁸

End of Fixed Term Communication (EFTC): Prompting engagement at the end of tariff

3.29. This was our last trial to be completed in spring 2019. The main difference from the others, was that this one was targeting customers who were already on a fixed-term tariff. This is because that although many customers who are coming to the end of a fixed-term tariff will switch of their own accord, some of these end up back on the default tariff. This trial tested the impact of a simple letter or email sent to customers a couple of days after the end of their fixed tariff, reminding them of the consequence of not switching. It involved around 20,000 energy customers who were on one of two one year fixed term tariffs with a one supplier. The results of this trial showed that customers who received an EFTC were nine percentage points more likely to switch energy than a control group (from 19% in the control group to 28% in the intervention arm). This trial shows that a simple, timely, behaviourally designed communication can substantially increase switching rates among customers at the end of tariff.

Comparing across trials

3.30. These trials were designed to measure the impact of a particular communication, or variation of a communication, against a control group. They were not designed to be directly comparable, and too place with different energy suppliers, over different times of year and with different levels of potential savings available to customers. Some only target customers who had been on default tariffs for over three years and others target those over three months or a year. Therefore, you cannot look across the percentage impacts and draw concrete conclusions about how these interventions would work in 'real world' settings. Despite the difficulties in comparing across trials, we can see some trends between trials. Our Collective Switch trials have seen consistently higher switching rates than our Better Offer trials.

³⁸ See the [Check Your Energy Deal](#) final results for more information

4. What works in engaging customers in their energy tariff choices?

Section summary

This section describes what we learned about how to design communications to prompt behaviour change, what aspects of the interventions drove engagement and what we learned about customer behaviour.

How to communicate with energy customers to prompt behaviour change

4.1. We recommend any communications apply best practice from behavioural science and are tested with customers qualitatively to refine them as feedback from customers suggested the design of the letters had contributed to their success. We also recommend that communications aimed at customers are:

- Kept **short and simple**
- Made **action focussed**- be clear about what you want them to do
- **Personalised**
- Designed to **remind** customers and give them a deadline
- Designed to help customers **make a plan** but setting out the steps you want them to take
- **Tested** first with target audience

What works in changing engagement?

Signposting to cheaper tariffs; but the branding of those tariffs matters

4.2. All of the interventions we developed for disengaged customers simplified the choice of tariff in some way. The 'Cheaper Offer' trials suggested three cheaper tariffs for customers to simplify their choice. The Collective Switch suggested one cheaper tariff. Qualitative feedback suggests customers found this useful for benchmarking and comparing prices when they did search the market, even if they didn't choose one of the suggested tariffs.

4.3. The Open Market arm of two of our Collective Switch trials tested a Collective Switch intervention without the exclusive tariff. While switching levels were still substantial, they were markedly less than in the Collective Switch arms. This implies having a named tariff is important and drives switching.

4.4. Our first Collective Switch trial offered an exclusive tariff from a well-known supplier. We tested the impact of the brand of the supplier of the exclusive tariff in a follow-up trial where the suppliers were restricted to less well known brands. While 19% of customers chose to switch (compared to 4% in the control group), this is a lower impact than our other Collective Switch trials, implying that the branding of the supplier named on the letter impacts on switching rates.

Send communications from a compelling messenger

4.5. Across all the trials, we have consistently seen that those customers who received letters with the incumbent supplier's branding are more likely to switch than those receiving letters with Ofgem's branding. Some customers in the qualitative research find it strange that their energy supplier would write to them to tell them about cheaper tariffs from other suppliers, but are reassured by the mention of Ofgem's involvement.

Reassurance and hand holding

4.6. Disengaged customers sometimes feel less confident in navigating the market and feel distrustful of less well known suppliers and tariffs.³⁹ Providing reassurance and hand-holding seems to have been key in prompting switching.

4.7. In all the interventions, Ofgem's involvement was mentioned. Customers report finding Ofgem's involvement reassuring and providing credibility to the letters. As Ofgem is

³⁹ Ofgem, 2018, Customer Engagement Survey

not a consumer-facing brand, it was important to explain who Ofgem is. The communications explained that we are the 'independent energy regulator'.

4.8. In our Collective Switch trials, being able to switch via an intermediary, rather than having to deal with suppliers directly, addresses the lack of confidence that many of the disengaged express about comparing and switching. The intermediary can provide the wider picture and answer queries or concerns, and so acts as a 'trusted friend' helping the customer navigate the choices on offer.

4.9. A surprising finding from our Collective Switch trials is how many customers chose to switch using the telephone service, rather than the equivalent online one. Being able to phone the intermediary rather than having to go online and/or contact a new supplier directly seems to have really helped these customers choose to switch. In nearly all of the Collective Switch trials, around 70% of the customers who chose to switch via the intermediary did so by phone. In an increasingly digital age, it is interesting to note how these customers value speaking to a trusted advisor.

Removing friction

4.10. All of the interventions we developed were designed to remove some of the hassle that some customers find in searching for and switching tariff. The 'Better Offer' trials did this by searching the market on a customer's behalf, presenting three cheaper tariffs for them to consider, and compiling all the information they would need to make a switch into one place. The Collective Switch trials went a step further, by sending customers' data directly to a third party switching service to make the switching process even easier for the customer. The qualitative evidence shows that reducing the hassle of switching in this way seems to be partly responsible for the higher switching rates we observed.

What have we learnt about customer behaviour?

4.11. One of the key learnings from this programme is that simple, well-designed communications work in changing tariff switching behaviour. However, we've also learnt other interesting things about energy customer behaviour that we hadn't predicted at the start of this programme.

Customers can be 're-prompted'

4.12. One of our Collective Switch trials targeted customers who hadn't chosen to switch during the first trial. They were sent three new letters, updated with a new exclusive tariff, six months after the first trial. An interesting finding here is not just that more of these customers chose to switch to a cheaper tariff, but also that many of them did not recall the first set of letters, and those that did, did not mind being re-contacted. In fact the post-trial qualitative research shows that many welcomed the repeated letters. This proves that in some cases multiple prompts are needed to have an impact and are not seen as intrusive.

Some customers will choose the 'easy' choice over the economically most beneficially one

4.13. One of most interesting aspects of our Collective Switch trials is the proportion of customers who chose to switch to the exclusive tariff mentioned in the letters, despite having easy access to an open market search and advice from the third party switching service. In the first Collective Switch trial, 44% chose the exclusive tariff, rising to 70% and 67% in the second and third trials. In all of our Collective Switch trials, the exclusive tariff offered a good level of saving, but not a market leading one. This implies that these customers prefer to take the 'easiest' option of the tariff suggested on the letters to looking around for one that may save them the most money.

Customers welcome these interventions

4.14. There is evidence from the qualitative interviews before and after the trials that some customers felt misled by previous communications about their tariffs.⁴⁰ They had not realised that their current tariff was relatively more expensive, and this is in spite of messages appearing on bills, sporadic media coverage of energy prices and price comparison websites advertising on television and radio. Opt-out rates from the trials and levels of complaints were very low.⁴¹ The customers were happy for their information to be passed to unfamiliar third parties, and they were happy to trust the switching process to these third parties. It must be remembered that this was in the context of Ofgem's

⁴⁰<https://www.ofgem.gov.uk/publications-and-updates/second-collective-switch-trial-qualitative-findings>

⁴¹ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-s-collective-switch-trials>

involvement in the process, and the assurances the letter contained about data protection and security.

Vulnerable customers can be prompted too

4.15. We know from our annual surveys⁴² that customers who are vulnerable in some way are less likely to switch energy tariff. It's hard to measure vulnerability as it takes many different forms, but we often use the customer being on the Priority Services Register⁴³ (PSR) as a proxy for vulnerability. Our trials showed that customers on the PSR were willing to switch tariff if sent a well-designed prompt. In our Collective Switch trials, for example, customers on the PSR were almost as likely to switch as those not on the PSR.

Even 'engaged' customers can benefit from prompting

4.16. Our intervention targeted at customers already on a fixed term tariff shows that even customers who are relatively engaged and who have already switched tariff at least once still benefit from a letter reminding them they are coming to the end of their tariff. The letter used in this trial was much less personalised and detailed than those in the other trials, as we theorised that these customers, who had already engaged in their tariff choice at least once, would need a less intensive prompt to encourage them to switch. This shows that not all customers need personalised information and savings levels to encourage them to make a switch.

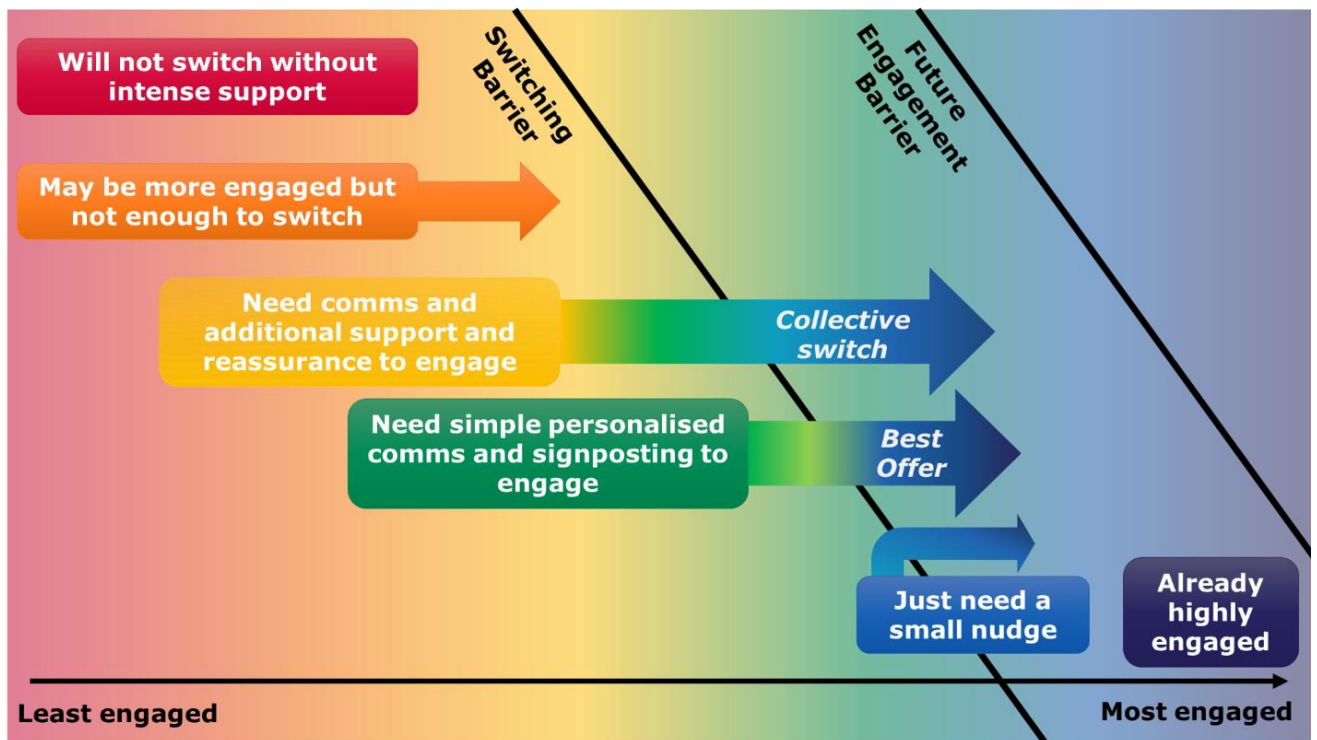
⁴² <https://www.ofgem.gov.uk/publications-and-updates/consumer-engagement-survey-2018>

⁴³ This is a register of energy customers who need extra support from their supplier: <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/extra-help-energy-services/priority-services-register-people-need>

5. Which prompts work with different customers?

5.1. We know that disengaged energy customers face multiple barriers to switching tariff, but we also know that not all customers face the same barriers. The evidence from our trials has shown that some prompts result in higher levels of switching than others. We’ve also gathered rich information from the qualitative research that helps us further understand why customers respond in different ways. We have used this evidence to illustrate different ways in which our prompts affected consumer engagement behaviours. It is not intended to be definitive, or show exactly how far we have moved people along the spectrum of engagement, but it gives an indication of which elements of the communications work for different groups of customers.

Figure 13 – how different prompts work for different customers



5.2. Some customers will **never engage** with the current market because they are vulnerable or otherwise lack the capacity to do so. This group of customers will not switch following a communication-based prompt. They need more support and encouragement to switch than could be offered by a prompt.

5.3. Other customers are **already highly engaged**. They will be self-motivated and have the skills and confidence to find a new tariff with no additional support. They may create their own prompts (for example, opting into reminders from PCWs) and ways of keeping track of their energy spending. They may also be engaged in other areas of their energy use, such as insulating their home and opting for smart technology. These customers do not need additional prompts to engage. In our original customer segmentation⁴⁴, these customers are most likely to be 'happy shoppers' and 'savvy switchers'.

5.4. Then there are the customers for whom **prompts are effective**. Within this group are:

1. The **moderately engaged** - This group may be on a fixed term tariff already and have the intention to switch following the end of their fixed term tariff, but then not get around to it, or they may have lapsed onto a default. They have the capability and motivation to switch but may not always be aware of their current tariff or the implications for their energy spend. This group have the skills and confidence to find a new tariff without additional support. They are likely to respond to simple, timely information suggesting that they switch. They do not require personalised information or signposting to other tariffs.
2. **The 'nudgeables'** - This is a group of less engaged customers that will switch following a simple, personalised prompt containing information and signposting about alternative tariffs, even if they have been on a SVT for some time. They respond to prompts such as our better offers interventions with information about potential savings. They will also react to more complex prompts which include support for switching, but will not switch through the suggested price comparison service, preferring instead to find a new tariff themselves. They may also react to other stimulus, such as increased media coverage about energy prices. They feel surprised and shocked that they could be on a cheaper tariff. They feel motivated by the potential saving and are willing to take action quickly. They have the capability to find a new tariff without help and many will choose a tariff that is not suggested on the prompt communication. Many are comfortable choosing a less familiar supplier.

⁴⁴ <https://www.ofgem.gov.uk/publications-and-updates/consumer-engagement-survey-2017>

3. **The hand holders** - these customers need more intensive support and reassurance to get them to take action and switch tariff. They are not likely to have thought about their energy tariff for a long while. They need more than just savings and signposting. They are likely to respond well to a prompt which provides additional support for switching. These customers like it when hassle of needing to search for a new deal and find their consumption data is removed. They like being able to get advice by phone, rather than on line. They are happy to discuss their tariff choices with an unfamiliar third party, as long as they are endorsed by someone they trust (such as Ofgem). Many will not respond to the letter for a while after receiving it, and appreciate being reminded. They may revisit it a number of times and discuss with family before deciding to switch tariff. They like the certainty and ease of switching through a trusted third party or their current supplier. Many will choose the tariff suggested on the prompt or one with their current supplier, even if there are cheaper deals available. Customers in this group may include 'hassle haters', 'market sceptics' or 'contented conformers' from our original segmentation.⁴⁵

5.5. Then there are the customers who we **haven't yet reached** but who we think have the potential to be engaged in the future. Even in our most impactful interventions, around 70% of participants did not switch tariff. It is likely that these customers face further barriers to switching than those addressed by our prompts. It is probable that this group includes those who have the skills to find a new tariff, but who don't find the levels of savings on offer a strong enough motivation, or those who need even more hassle to be taken out of the process. Further research is needed into what works with these customers. It is possible that other interventions, designed to tackle other barriers to behaviour, could encourage some of this group to switch.

Do customers in these groups always behave in the same way?

5.6. These groups are intended to give an indication of the types of customers which responded to our prompts. However, not every person in these groups will respond every

⁴⁵See Ofgem's [Consumer segmentation](#) from 2017. It must be noted that the 2017 segmentation was developed as an attitudinal segmentation and based on survey data. We do not have sufficient data on the characteristics or attitudes of the participants in our trials to be confident in identifying which segments trial participants fall in to. We use the segmentation here to illustrate the patterns we observe from both the qualitative and quantitative findings from the trials.

time or in the same way. Even customers who may be highly motivated to switch by information about potential savings will still be prone to forgetting and becoming busy with other priorities. Some customers will need multiple prompts to engage, such as the customers in our first Collective Switch trial who did not switch, but then chose to do so when re-prompted six months later.

5.7. Customer behaviour is complex and affected by many external factors and customers will always face barriers to completing tasks, even ones they want to do. There are many factors which affect a customer's likelihood of engaging in their energy choices at any given time. For example, a customer who has always switched regularly may undergo a time in their personal life where it is no longer seen as a priority and will default on to an SVT. The decision to switch energy tariff must be seen in the context of a number of similar decisions and tasks customers are expected to complete on a fairly regular basis, such as renewing insurance policies and changing broadband providers.

6. Remaining evidence gaps

6.1. While this has been the most comprehensive research into what works in changing energy tariff switching behaviour, some evidence gaps remain.

6.2. One of the key ones is **whether these interventions work with customers who were not included in these trials**. In all of the trials, some customers were excluded from participating, either for practical reasons or because some characteristic meant they were unable to switch (eg customers with smart meters that would lose functionality). The largest of the excluded groups is customers who have opted out of direct marketing. Further work is underway to understand the size of this population and the attitudes and perceptions of these customers.

6.3. These interventions were all designed to impact on a one-off decision to switch tariff during a defined window of time. We don't know if they had any **lasting impact on customers' likelihood of switching tariff**. Qualitative research we commissioned last year⁴⁶ suggests that the act of switching once is not enough to ensure sustained engagement in the energy market. We are currently doing follow up research to see if there was any lasting impact from our communications. This includes data collection to see which type of tariff trial participants are on 18 months after the end of the trials, and qualitative research with trial participants to understand their switching decisions.

6.4. While we have a good understanding of how customers responded to these trials what we don't know is exactly **how suppliers would respond** if these interventions were scaled up. For example, we don't know how they would change their tariff offerings or customer acquisition strategies.

6.5. Finally, one of the biggest uncertainties is **how this group of customers will need to change and adapt as the energy market evolves as decarbonisation continues**. We suspect that engaged customers may be able to access greater benefits from automatic switching or bundled products, and customers who are currently disengaged may not. Any future services to encourage engagement among these customers should build on the finding of this programme of research.

⁴⁶ <https://www.ofgem.gov.uk/publications-and-updates/sustained-engagement-energy-market>

7. Where next for consumer engagement?

7.1. The comprehensive and robust evidence generated by our trials shows that substantial proportions of energy customers can be prompted to switch by an intervention that is (to the customer) just a few simple letters. This has given new insight into the customers we consider disengaged and what works in encouraging them to engage.

7.2. What we have learnt about behaviour from this research programme is that even customers who haven't thought about their energy tariff choice for many years will make a switch given the right information and a simplified process. This has implications not just for how we design services for energy customers, but also for other markets where inertia plays a substantial role in stopping customers making optimal decisions. such as broadband or current accounts in banking.

7.3. This programme has shown the scale of the behaviour change that can be achieved by well-designed communications. It has proven that behavioural science interventions are not just 'one hit wonders' but that customers will respond to multiple iterations of the same intervention.

7.4. We have learned a lot from this programme, but we think there is more to do to solve the problem of disengagement. Even with an impactful intervention like the Collective Switch, the majority of disengaged customers do not switch tariff. There are other barriers that could be tackled through communications and other means such as distrust of the switching process.

7.5. Although the main aim of this research was to find out what works in encouraging customers to switch tariff, we have learned other things along the way. We have learned that customers are happy for their data to be shared with an unfamiliar third party and to trust that third party to help them switch tariff. Building on this, there may be potential to use the same interventions to encourage other behaviour change too, such as prompting customers to sign up to a Time of Use tariff (which incentivise energy use at off-peak times of day) or to opt for a smart meter. In addition, the findings will be used to inform the design of the future retail market, so it works with the grain of behaviour. We will also explore the potential for interventions that go beyond addressing hassle and customer inattention.

7.6. The increasing pace of decarbonisation means that the future energy market will be different to today's, and how customers interact with it will be different too. The insights we have developed about how customers engage with the market and the prompts they respond to will be important in understanding how customers navigate this future market.

7.7. Reflecting this, the focus of our work is now on the future. We shall be considering what needs to be in place to enable the price cap to be lifted, to ensure that consumers are protected post-price cap and to understand the role consumers will play as the retail market evolves and the energy system transformation takes hold. We will be applying what we have learnt to these challenges, and considering what role interventions such as the Collective Switch have in this future.

7.8. As part of our joint review with government into future energy retail market reforms, we've recently published the consultation: Flexible and Responsive Energy Retail Markets.⁴⁷ It sought views on future options, including both opt-in and opt-out collective switching, as well as other potential measures. Our consultation closed on 16 September 2019, and we are now carefully considering the responses we've received.

7.9. To support our ongoing work on future consumer engagement we will be hosting a series of stakeholder events to discuss what we've learnt from our trials to date, how this will apply to the evolving sector and what Ofgem's focus should be going forward. If you are interested in attending please contact the Future Consumers team on futureconsumers@ofgem.gov.uk.

⁴⁷[Flexible and Responsive Energy Retail Markets](#)

Appendices

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Appendix 1

A summary of regulators' approach to customer engagement

This section summarises the work being done in other regulated markets in Great Britain to tackle the issue of customer disengagement. While approaches differ, this is a shared concern and there are commonalities that can be seen across the respective regulators.

In September 2018, Citizens Advice lodged a Super Complaint to the CMA which highlighted the excessive prices for disengaged consumers in essential markets like mortgages, water and mobile phones. The significantly higher prices charged to loyal customers compared to new consumers, was labelled the Loyalty Penalty. This complaint successfully highlighted areas where Regulators need to work harder to protect disengaged consumers from unfair prices. Some of the regulators of the essential markets have been targeting this issue for some time. Here we provide a summary of the approaches that Ofcom, Ofwat and the FCA have taken to resolve consumer disengagement prior to, and in response to the Super Complaint.⁴⁸

Telecoms

As part of its Fairness for Customers programme,⁴⁹ Ofcom has identified concerns that some customers are not being treated fairly by their providers and are not getting the information they need to get the best deals. Ofcom's ongoing work aims to help customers engage with the communications market and ensure that, when they do, they are given the information they need to shop around with confidence and are treated fairly by their providers.

The recent Citizen's Advice Super Complaint also raised concerns about the prices paid by disengaged customers across a number of markets, including broadband and mobile.⁵⁰ In response to the super-complaint, the CMA recommended that Ofcom consider a number of

⁴⁸ <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/consumer-policy-research/consumer-policy-research/excessive-prices-for-disengaged-consumers-a-super-complaint-to-the-competition-and-markets-authority/>

⁴⁹ <https://www.ofcom.org.uk/phones-telecoms-and-internet/information-for-industry/policy/fairness-for-customers>

⁵⁰ Citizens Advice, September 2018, *Excessive prices for disengaged consumers – A super-complaint to the Competition and Markets Authority*.

possible pricing interventions. It also recommended that Ofcom consider measures to increase consumer engagement, such as the use of smart data and exploring the feasibility of collective switching in broadband.⁵¹

Ofcom's ongoing work to tackle these concerns includes a new requirement that, from February 2020, suppliers must send customers an end-of-contract notification that includes information about the supplier's best available deals. All customers not on a fixed term contract will be told about the best deals every year too. Ofcom has also worked with BT to reduce prices for home phone only customers from April 2018, and in July 2018 it published a range of measures to help customers get better deals for mobile phone contracts. In addition, it has just published a consultation on a new rule that would require communications suppliers to participate in trials to test remedies designed to increase customer engagement, where appropriate.⁵²

Finally, Ofcom also recently published its initial conclusions from its review of broadband pricing practices, with its findings suggesting that engaging in the broadband market (e.g. by switching supplier or re-contracting with the same supplier) can lead to significant savings.⁵³ As a result of the review, broadband providers have agreed to a number of commitments to protect customers and cut prices for those who are out of contract. Ofcom is also considering the potential for a trial of collective switching to help the least engaged broadband customers.

Water:

Ofwat have also been investigating various approaches to resolving consumer disengagement. During their price review in 2014 they highlighted the importance of engagement between customers and their water companies in achieving a fair price setting process. However, at this point Ofwat expected the companies themselves to take responsibility for engaging more with their customers and were only providing 'high level guidance' on the issue.

⁵¹ Competition and Markets Authority, 2018, *Tackling the loyalty penalty – Response to a super-complaint made by Citizens Advice on 28 September 2018*.

⁵² Ofcom, September 2019, [Trialling consumer remedies](#)

⁵³ Ofcom, September 2019, [Helping consumers get better deals: A review of pricing practices in fixed broadband](#)

Ofwat also apply a risk-based system for reviewing companies' approaches to providing information to their customers and will take action to protect customers where appropriate.⁵⁴

Financial services:

Ensuring that markets work well and provide fair outcomes for longstanding and vulnerable consumers has been and continues to remain a priority for the FCA, and the FCA's work in this area includes:

- Completing its [mortgages market study](#) and taking forward remedies, including detailed research to understand the characteristics of consumers who do not switch, to inform any further necessary interventions.
- Taking forward next steps on [price discrimination](#) in the cash savings market, with a feedback statement or consultation paper to be published by the end of this year.
- Market study into [general insurance pricing practices](#) in home and motor insurance.

The FCA is also considering its regulatory approach to cross-cutting issues, including:

- work on firms' [Duty of Care](#)
- the identification and fair treatment of [vulnerable consumers](#)
- next steps following its feedback statement on fair pricing in financial services, and
- the future role of Open Finance

In line with the FCA's [Mission](#), several of the FCA's key cross-cutting projects are designed to address consumer harms, for example:

- Interventions to prevent harm, including work to reform overdrafts and other forms of [high-cost credit](#), and taking forward the remedies from the mortgages, retirement outcomes and [investment platforms market studies](#). A number of these projects involved trials to test the potential effectiveness of remedies, including on [overdraft alerts](#) and [retirement communications](#).

⁵⁴ <https://www.ofwat.gov.uk/regulated-companies/company-obligations/engaging-with-customers/>
<https://www.ofwat.gov.uk/regulated-companies/price-review/price-review-2014/customer-engagement/>

- Evaluating the effectiveness of interventions, for example current work on the rules introduced in 2017 to [increase transparency and engagement at renewal](#) in general insurance renewal, and the subsequent [market study](#) on pricing practices.

Further information on FCA's work on providing fair outcomes for longstanding and vulnerable consumers can be found in the FCA's update on the Citizens' Advice Super Complaint to the CMA [here](#).



Making a positive difference
for energy consumers

Report

Appendix 2

This table summarises the ten trials in the programme, as well as details about their target population, exclusion criteria, date in field and sample size. For more information on the individual trials see the full reports on Ofgem's website.⁵⁵

⁵⁵ <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/how-switch-energy-supplier-and-shop-better-deal/prompting-engagement-energy-tariff-choices>

Trial	Dates in field	Number of trial arms and sample size by trial arm (at the start of trial)	Target population (tenure)	Customers excluded from the sample
Small Scale trial	Nov 2016	3: Control (800)/CMA (800)/BOL (800)	SVT ⁵⁶ 3yr+	DMO ⁵⁷ , PSR ⁵⁸ , WHD ⁵⁹ , customers in receipt of non-standard communications from their supplier, complex meters, smart meters
Check Your Energy Deal (CYED)	Nov 2017	2: Control (80k)/CYED (10k)	SVT 3yr+	Complex meters, smart meters, unoccupied homes, non-domestic energy customers
Cheaper Market offer letter (CMOL)	Sept 2017	2: Control (50k)/supplier CMOL (50k)/Ofgem CMOL (50k)	SVT 1yr+	DMO, complex meters, smart meters, customers in debt, WHD, customers who have their energy as part of a bundle service, PPM, unoccupied homes, non-standard communications, customers who receive communications in Welsh
Collective Switch 1	March/Apr 2018	3/4:Control (5k)/Supplier CS ⁶⁰ (25k)/Ofgem CS (25k)*	SVT 3yr+	All collective switch trials had the same exclusion criteria – see ** below.
Cheaper Market Offer Communication (CMOC)	Sept 2018	9*: Control/eight versions of the CMOC intervention (600k)	SVT 3months+	DMO, special communications, restricted metes (exc. E7)

⁵⁶ Customers on a Standard Variable Tariff for different periods of time

⁵⁷ Direct Marketing Objectors

⁵⁸ Customers on the Priority Services Register

⁵⁹ Customers in receipt of Warm Home Discount

⁶⁰ Collective Switch

Collective Switch 2	Nov/Dec 2018	3: Control (5k)/Supplier CS (90k)/Supplier Open market (OM) (10k)	SVT 3yr+	All collective switch trials had the same exclusion criteria – see ** below.
Collective Switch reengagement	Oct/Nov 2018	2: Control (2,570)/CS (2,570)	SVT 3yr+	All collective switch trials had the same exclusion criteria – see ** below.
Collective Switch small/medium supplier	Oct/Nov 2018	2: Control (1,375)/CS(1,375)	SVT 3yr+	All collective switch trials had the same exclusion criteria – see ** below.
Collective Switch 3	Feb/Mar 2019	3: Control (5k)/Supplier CS (90k)/Supplier Open market (OM) (10k)	SVT 3yr+	All collective switch trials had the same exclusion criteria – see ** below.
End of fixed term comms	Mar 2019	2: Control (9777)/intervention (9776)	Fixed term customers near the end of tariff	Customers on the trial tariff that had already switched, customers with special communication requirements, unoccupied properties, non-domestic customers, addresses with three or more meters, DMO, PPM.

*Medium sized suppliers ran a 5 arm trial, 1 control/4 interventions.

** Collective switch exclusions: DMO, complex meters except E7, smart meters, PPM, WHD, customers who request comms in large print, unoccupied homes, customers involved in other trials, customers who have their energy as part of a bundle service, non-domestic energy customers