

# Prompting sustained engagement in energy tariff switching: Learnings from following up customers from Ofgem's Collective Switch trials



28/10/2020

## Background

- In September 2019, Ofgem [published our findings](#) from a series of trials looking at how to prompt consumer engagement in energy tariff switching.
- The [Collective Switch \(CS\) trials](#) demonstrated that a collective switch intervention was effective in increasing one-off switching among customers who had been on default tariffs for three years or more.

## Sustained Engagement

- The Sustained Engagement project sought to assess whether the collective switch interventions had a lasting or sustained impact on tariff switching.
- The first collective switch trial ran during March and April 2018. For the sustained engagement project, we analysed data on the switching behaviour of trial customers in the subsequent 17 months to see what, if any, further action the customers took.

## Results

- Subsequent switching (after the initial trial) was high, 63%, for those customers who engaged with the market - by switching during the trial, after receiving a collective switch intervention.
- The higher switching rate was likely largely driven by the re-prompting campaign of Energy Helpline who intensively prompted customers to switch around their tariff end dates.

## Policy development

- In order to maximise the sustained impact of a collective switch intervention, our results indicate that re-prompting consumers at their tariff end dates is vital.

# Introduction



Although there has been an increase in consumer engagement in energy tariff choices in recent years, around 50% of GB customers remain on default tariffs, such as standard variable tariffs<sup>1</sup>, which tend to be more expensive for the same energy consumption than other types of tariffs.<sup>2</sup>

If energy customers do not engage in their energy tariff choices, or switch to a fixed term tariff but fail to switch again when the tariff ends, they will likely be on a default tariff.



As a result, once-off engagement is not sufficient to ensure ongoing benefit. Customers need to continue to engage in their energy tariff choices in order to receive the best energy tariff deals and value for money.

Ofgem ran a series of [Collective Switch](#) trials between February 2018 and April 2019 to test interventions aimed at increasing energy market engagement, in particular energy tariff switching amongst disengaged consumers.

Our 'Sustained Engagement' project explored the energy market engagement behaviours of different consumer groups and assessed whether the collective switch interventions resulted in a sustained increase in energy market engagement.

The project comprised both qualitative research with energy consumers and quantitative assessment of switching behaviour of participants from our first Collective Switch trial.

<sup>1</sup> [Outcome of review into Conditions for Effective Competition \(2020\)](#)

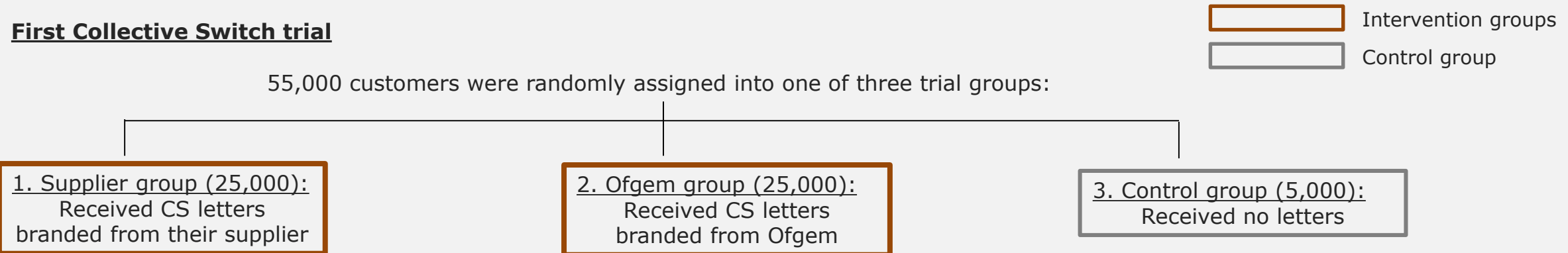
<sup>2</sup> The [default tariff price cap](#) came into force 1 January 2019 and applies to tariffs for all customers on standard variable and default energy tariffs.

# The Collective Switch Trials

The [Collective Switch Trials](#)\* were a series of trials that tested the efficacy of a collective switch intervention in increasing engagement or switching of customers on standard variable tariffs for more than 3 years.

For each trial Ofgem conceived and designed the intervention and the methodology. An independent third party, energyhelpline, was appointed to deliver the running of the trials.

The Sustained Engagement research focused on the first of these Collective Switch trials (CS). The 'First Collective Switch' trial was conducted in March and April 2018 with 55,000 customers.



The Collective Switch letters included an option for customers to switch to an exclusive 'collective switch tariff'. Energy Helpline (EHL) ran an auction where suppliers bid to provide the exclusive tariff listed on the letter. This tariff was not available on the open market.

\* The Collective Switch trials were a series of 5 trials looking at testing an intervention to increase switching amongst disengaged consumers. The Sustained Engagement Follow-Up focused on one trial within the Collective Switch series – the "First Collective Switch Trial". For brevity, this is referred to as the "Collective Switch" or "CS" trial throughout this document.

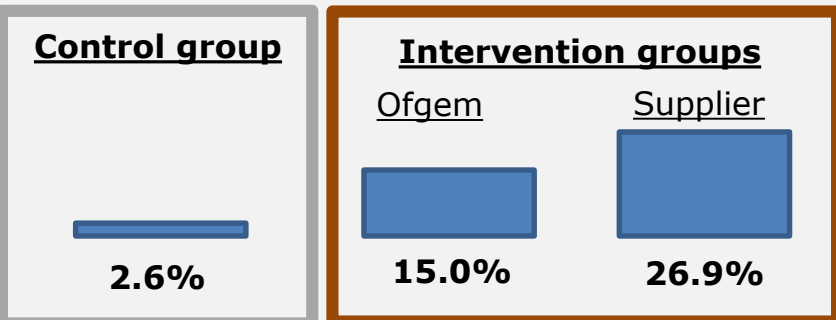
These letters were designed to increase switching amongst disengaged energy consumers.

The design was informed by behavioural insights which was used to overcome known barriers to switching.

They contained information about energyhelpline (a price comparison site) where consumers could switch to the exclusive tariff or to another tariff.

Results

Overall the intervention was effective in increasing switching rates during a seven week period in March/April 2018.



Customers in the **intervention** groups received a series of **three letters** over a **seven week period**



**1<sup>st</sup> 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



**2<sup>nd</sup> Letter:  
Savings**

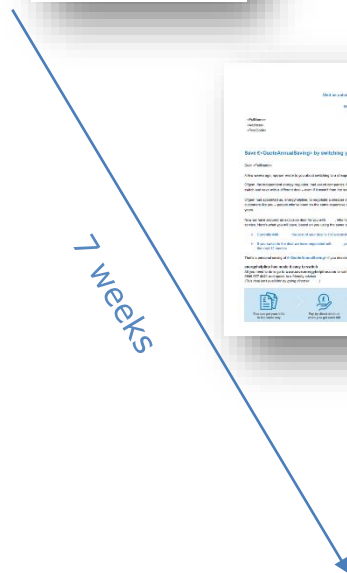
Informed customers:

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



**3<sup>rd</sup> Letter  
Reminder**

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



# **Sustained Engagement Follow-Up**

Introduction





The Sustained Engagement project was comprised of two separate pieces of research:

1. Qualitative research – in which participants who had switched tariff previously were interviewed and which focused on the drivers and barriers to sustained engagement.
2. Quantitative analysis – which analysed the effectiveness of the collective switch intervention in generating sustained energy market engagement.

# **Sustained Engagement Follow-Up**

Qualitative research



[Our research](#), published in December 2018, interviewed 30 participants who had switched energy tariff previously. The research focused on understanding:

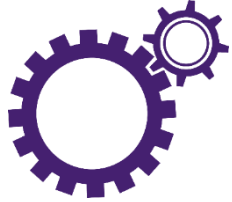
- consumers' experiences of switching
- what keeps ongoing switchers engaged
- the barriers to staying engaged
- how to sustain engagement

Headline results:

- Ongoing switchers (those regularly switching) were much more confident with switching than lapsed switchers (those who switched some time ago). They developed personal habits which aided them in sustaining switching such as methods to narrow down their search and regular prompts for themselves e.g. calendar reminders.
- Ongoing switchers took pride in the savings they made and were happy to settle for a better deal , as opposed to finding the best deal possible.
- Lapsed switchers highlighted perceived lack of potential savings, hassle and the complexity and amount of information about switching as barriers to sustaining their engagement.

# **Sustained Engagement Follow-Up**

Quantitative research:  
Introduction



The objective of the quantitative research was to explore **whether the collective switch intervention had a sustained, rather than one-off, impact on the engagement of energy consumers.**

In order to answer this, we analysed the switching behaviour of participants from our first Collective Switch (CS) trial after the trial had ended.

### **Which consumers were included in the sustained engagement analysis?**

Of the original 55,000 participants we analysed the post-trial switching behaviour of circa 49,000. This included participants in each of our trial groups (intervention and control groups) as well as those who took different actions during the CS trial (e.g. switched or did not switch)



Control group



Intervention group



Switched



Did not switch

### **What was assessed in the sustained engagement analysis?**

We analysed subsequent switching behaviour of each customer. This was whether or not the consumer switched after the trial ended. We assessed this using the subsequent switching rate (SSR) - the rate of switching of a particular group in the time period after the trial ended.

### **Over what period of time was the subsequent switching assessed?**



We analysed subsequent switching for 17 months from the end of the trial. The majority of switchers chose 12 month tariffs – the 17 month period allowed for these tariffs to come to an end and consumers to switch again if they decided to.

The quantitative sustained engagement work assessed whether, or not, the collective switch intervention had a lasting or sustained impact on the switching of energy consumers.

The primary questions for the quantitative analysis were:

**Q1**

Does receiving a collective switch intervention increase trial participants' likelihood to sustain their energy market engagement after the trial ends?

**Q2**

Does switching energy tariff once (during the CS trial) increase trial participants' likelihood of switching tariff again after the trial?

**Q3**

How does receiving a CS intervention and/or switching in the CS trial interact to affect subsequent switching after the trial ends?

**Q4**

Which groups, based on their initial type of switch in the CS trial, were most likely to switch again subsequently?

**Q5**

For those who switched using energyhelpline, does signing up for energyhelpline marketing affect their likelihood to switch subsequently?

# **Sustained Engagement Follow-Up**

Quantitative research:  
Results

## Which customers sustained their engagement behaviour and switched again in the following 17 months?

### Did receiving a Collective Switch intervention increase the likelihood of sustained energy market engagement after the trial ended?

Overall, the subsequent switching rate of those in the Intervention group (39%) was **6 percentage points** greater than that of those in the Control group (33%).

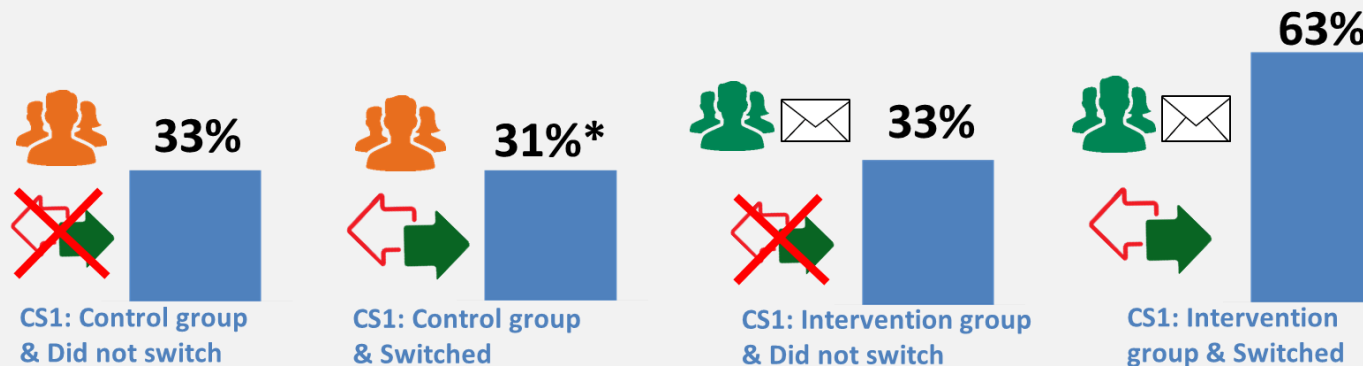
### Did switching energy tariff during the trial increase the likelihood of switching tariff again after the trial?

Overall, the subsequent switching rate of those who switched during the trial (63%) was **30 percentage points** greater than that of those who did not switch during the trial (33%).

However, this was driven by one group of participants – the subsequent switching rate of those who were in the **Intervention group and who switched during the trial**. Their subsequent switching rate, at 63%, was much greater than the other groups.

The subsequent switching rate of those in the Control group who switched (31%), and those in the Intervention group who did not switch (33%), were **no higher** than that of those in the Control group who did not switch during the CS trial (33%).

The implication of this finding is that there was something about the Intervention that encouraged people to switch in the following 17 months – but only if they had previously switched in the CS trial



\* The sample in this group is too small to generalise to the population about their behaviour



## Why was subsequent switching higher among those who were in the Intervention group and who had switched in the trial?

To understand, why the subsequent switching rate is higher in this group it is worth exploring the options a customer had in the trial.

Those in the Intervention group were prompted to switch via a price comparison site, energyhelpline. Those in the Control group were not prompted to switch at all.

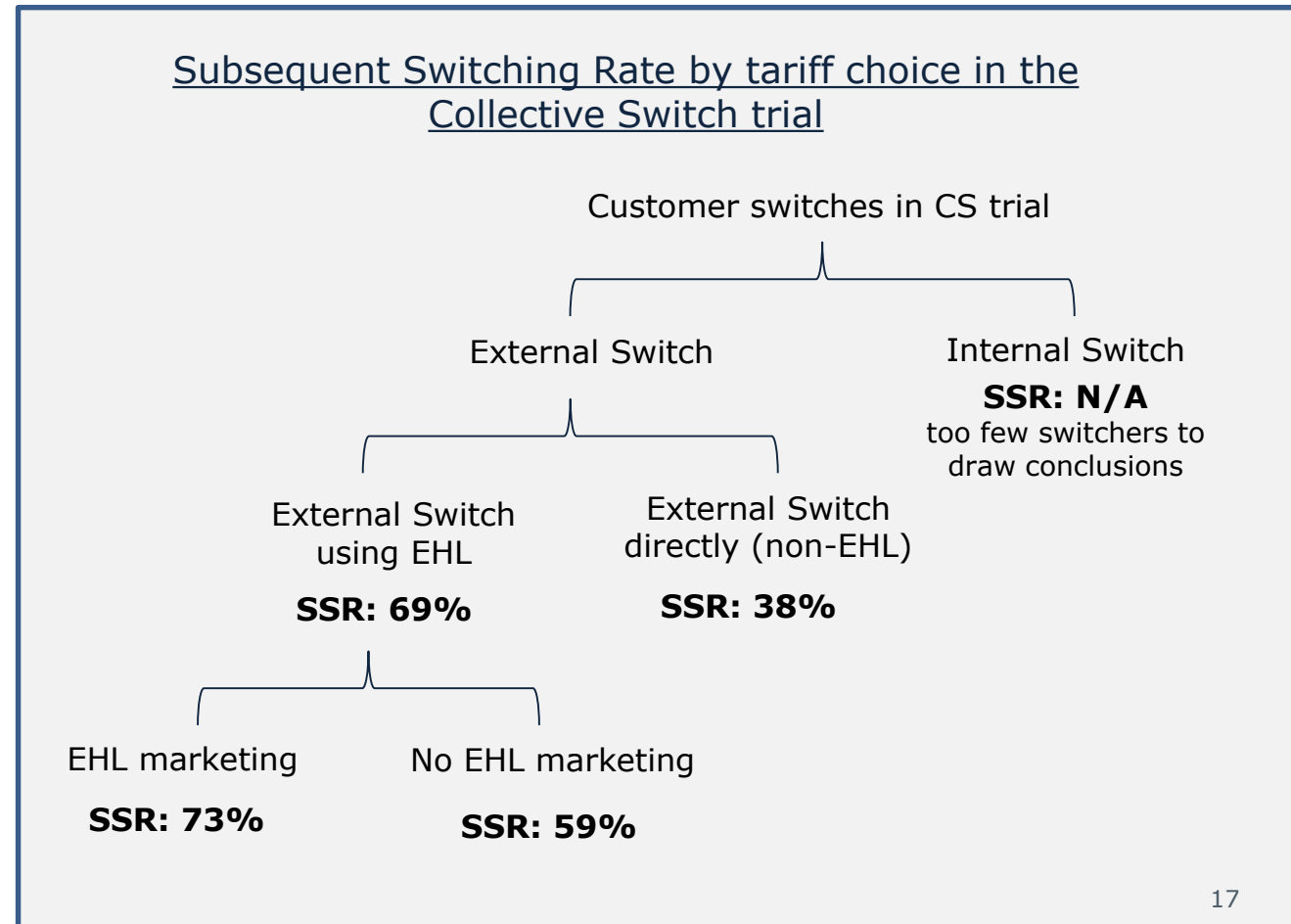
Participants could switch in one of 3 ways:

1. Internal switch – switch to another tariff with current supplier
2. External switch using EHL – using an EHL service (switching to the collective switch tariff or another tariff on the EHL website)
3. Switch externally directly – switch directly to another supplier (using a different PCW or by contacting supplier directly)

79% of switchers in the Intervention group switched using EHL in the trial.

Those who switched via EHL were substantially more likely to switch again than those switching directly to a supplier (69%).

This is likely due to the effectiveness of EHL's communications as **EHL prompted these customers at their tariff end date.**



All customers who used energyhelpline to switch during the trial received prompts to switch again just before their tariff end date.



EHL switchers received email and/or letter prompts in the weeks prior to their tariff end dates.

Of those who used EHL to switch during the CS trial, 75% signed up to receiving continuous marketing from EHL.



In addition, those switchers who agreed to marketing received a phone call and received marketing after their tariff end date.

Those who agreed to EHL marketing were **14 percentage points** (73% compared to 59%) to more likely to subsequently switch – although more than half of those who did not agree to EHL marketing still subsequently switched (Figure 1).

The majority of those who switched subsequent to the CS trial did so in the period between 11 and 14 months after the trial ended (Annex A). This indicates the effectiveness of the prompting campaign (Figure 2) around this same time period.

**Figure 1**

Subsequent switching rate by tariff choice in the Collective Switch trial

External Switch using EHL

**SSR: 69%**



**Figure 2: EHL prompts timeline**

\* - indicates days prior to tariff end date

Only if customer signs up for EHL marketing

- 56 days\*



- 49 days\*



- 46 days\*



- 30 days\*



- 23 days\*



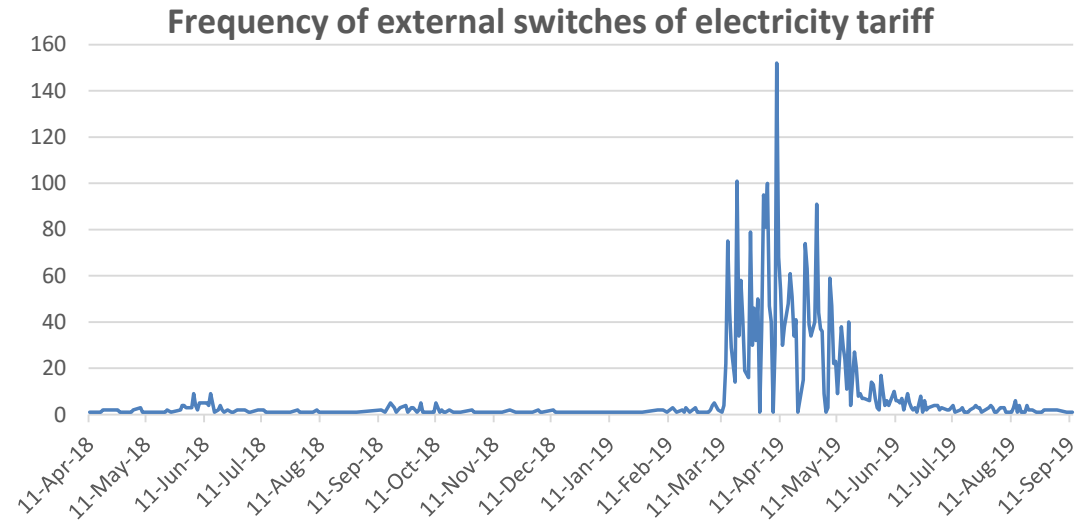
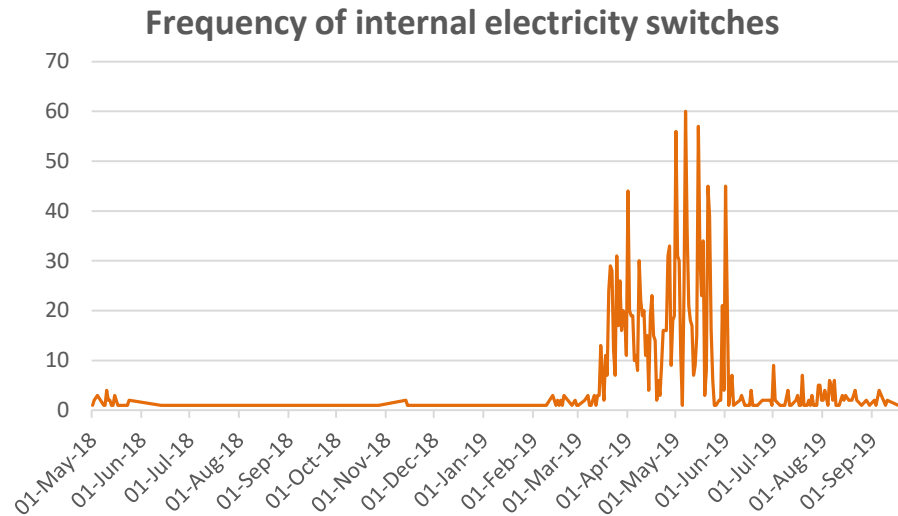
**Estimated contract end date**

Additional marketing post-contract for those who do not switch

## **Our findings suggest that re-prompting consumers is necessary to sustain the energy tariff switching initiated by a collective switch intervention**

- The subsequent switching rate of those who received CS intervention was higher than those who did not. In addition, the subsequent switching rate of those who switched during the CS trial was higher than those who did not switch in the trial.
- However, the highest switching rate, 63%, was found for those customers who received a CS intervention and switched during the trial.
- The subsequent switching rate was substantially higher for those who switched using energyhelpline, particularly if they chose to receive EHL marketing.
- The higher switching rate was likely largely driven by the re-prompting campaign of Energy Helpline who intensively prompted customers to switch around their tariff end dates.
- In order to maximise the sustained impact of a collective switch intervention, our results indicate that re-prompting consumers at their tariff end dates is vital.
- The importance of prompting consumers again at the end of their tariff contract concurs with the findings from our [End of Fixed Term Communications trial](#), published in September 2019.

# Annex



The above are timelines of the switches in electricity tariffs over the 17 months preceding the trial

The sharp increase in switches occur between 11 months and 14 months after the end of the switching period – indicating vast majority of switchers switch either just before or in the immediate 2 months after their tariff ended.

During this period energyhelpline and suppliers will re-contact customers to try and prompt re-switching or offer new tariffs respectively.

**Switches were evenly split between internal\* and external\*\* switches**



51% of switches were *external* switches



49% of switches were *internal* switches

For CS tariff customers only the picture is quite different with 76% and 24% switching externally and internally respectively

**1/3 of external switches were made to the larger suppliers**



32% of external electricity switches were to largest suppliers



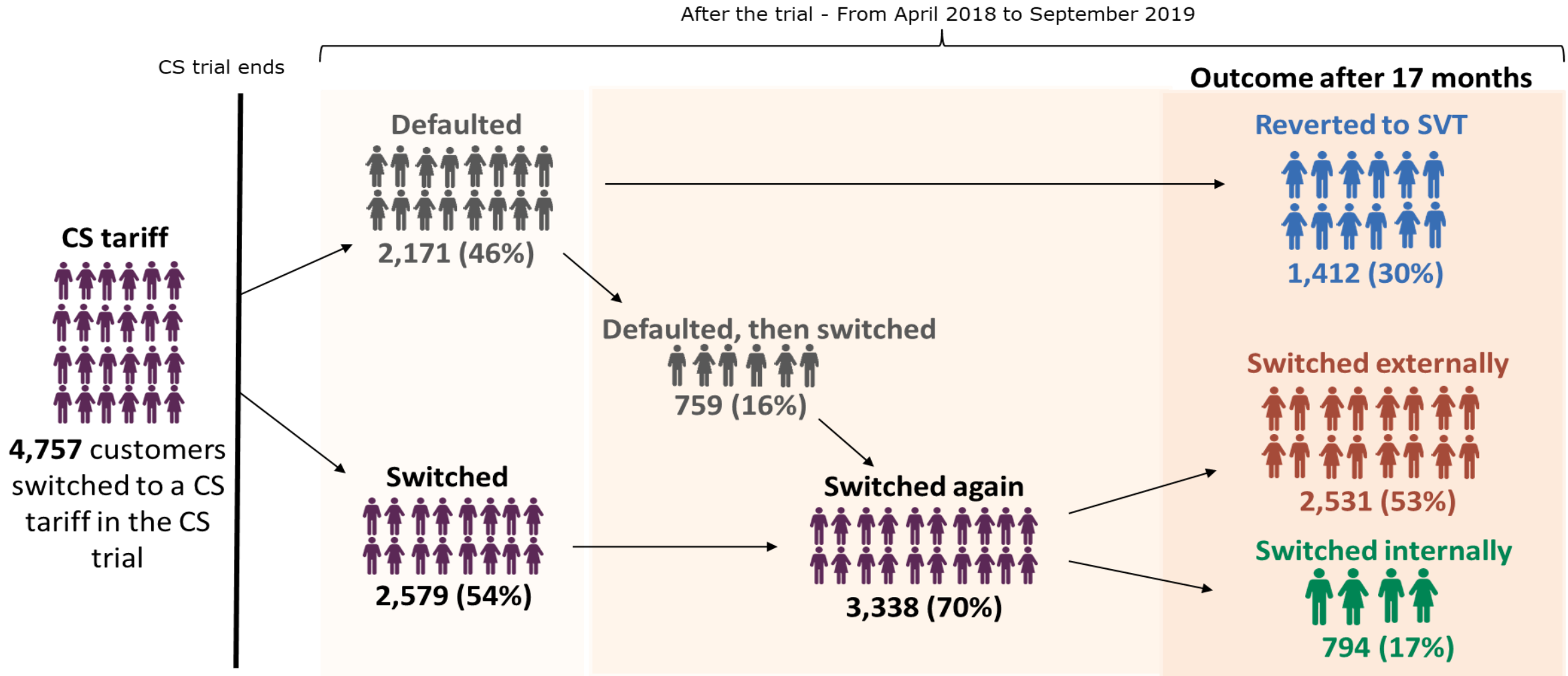
29% of external gas switches were to largest suppliers

For CS tariff customers only the figures are also 32% and 29% for electricity and gas respectively.

\* An internal switch is a switch between tariffs offered by the same energy supplier.

\*\* An external switch is a switch between energy tariffs offered by different energy suppliers.

**Of those who switched to our CS tariff, 70% switched again within 17 months.**  
All of these customers switched via EHL in the original trial.



XX% - figures indicate the % of customers who exhibited the behaviour outlined in the next box

**YY% - bold figures indicate the subsequent switching rate of customers at each stage**

