

Small scale Database trial

Summary of findings

November 2017

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- Background
- Trial design
- Interventions
- Results
- Qualitative findings
- Conclusions
- Next steps

- In 2016, the Competition and Markets Authority (CMA) found that 55% of energy customers (10 million) had been on the more expensive Standard Variable Tariff (SVT) for at least three years.
- The CMA [recommended](#) a package of remedies designed to increase engagement including the creation of a database of customers on SVT for 3+ years. Rival energy suppliers could then be given access to this data to market to them. This approach is known as the 'Database Remedy'.
- In November 2016 Ofgem launched a small scale trial to test the CMA database remedy approach. In the same trial, we also tested a personalised Best Offers Letter (BOL). This presented three cheaper tariff deals from rival suppliers in one letter, as an alternative approach.
- We also conducted qualitative research with consumers to understand their experiences. This slide-pack describes how the trial was designed, its results, and the conclusions that can be drawn from it.

- The trial was intentionally small scale. Two larger suppliers each provided a sample of 1,200 of their 3+ year SVT customers (total sample of 2,400 gas and electricity customers).
- Each customer was randomly assigned to receive either:
 1. One Best Offers Letter from Ofgem (the 'BOL' arm)
 2. Up to six marketing letters from other suppliers (the 'CMA' arm),
or;
 3. No letter (the control arm)
- Customers in the BOL or CMA arms were sent a letter from their supplier (on 23rd Nov 2016) advising them that they could opt out of being sent communications on energy deals.
- After a 28 day opt out period those who didn't opt out then received the BOL letter or marketing material in January 2017.
- Our primary research question looked at whether the CMA approach or the BOL has any impact on switching (supplier or tariff) when assessed against the control group.

Interventions: CMA approach

- For customers in the CMA arm, their details (including energy consumption and contact information) were passed from their host supplier (supplier A or supplier B) to three other suppliers who were participating in the trial.
- These suppliers then sent marketing material to the customers in the trial over a specified period. Suppliers were limited to marketing by letter and to no more than two letters to each customer.
- Most suppliers sent two pieces of marketing, so most customers received six marketing letters in total.

Number of Marketing letters received	Percentage of Customers
0	11%
1	0%
2	7%
3	0%
4	5%
5	3%
6	74%

Interventions: BOL arm

- Customers in the BOL arm received a letter from Ofgem showing three cheaper tariffs available. The offers were personalised using the customer's current consumption and method of payment.

Example:

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9 January 2017

Helping you get a better energy deal

Dear [redacted]
Your supplier recently wrote to you inviting you to use Ofgem's new service to help you find and switch to a cheaper energy deal.

Your current tariff and energy use

	Annual usage KWh	Estimated annual cost	You're on a Standard Variable tariff and these are usually the most expensive. We've estimated how much you're paying, based on your tariff and annual usage. This estimate doesn't include discounts you may get for things like online billing or costs of other products or services you may get from your energy supplier.
Electricity	4803	£748.13	
Gas	19923	£864.24	
Total		£1612.37	

Top deals from three suppliers

If you use the same amount of energy as you did last year, these deals could save you money. The deals are based on the cheapest price available from across the market.

If you would like to switch to one of these deals you should get in touch with the new supplier. You should speak to the new supplier about the terms and conditions that apply to the new deal.

Saving and supplier information	Saving and supplier information	Saving and supplier information
Estimated annual cost: £1319.29 This means you could save: £293.08	Estimated annual cost: £1329.61 This means you could save: £282.76	Estimated annual cost: £1332.97 This means you could save: £279.40
Energy supplier: Avro Energy www.avroenergy.co.uk 0800 6800 395	Energy supplier: npower www.npower.com 0900 0733000	Energy supplier: Telecom Plus www.utilitywarehouse.co.uk 0333 7770777
The tariff is called: Simple and Celebrate	The tariff is called: Online Fix January 2018	The tariff is called: Double Gold Fixed 10

Source of deals: Energylinx.

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How to switch

Switching is safe and is easy to do and your energy supply will not be cut off. This is what you need to do:

Step 1. Decide which deal is right for you.
Step 2. Contact the new supplier - they'll ask you for your energy information shown below.
Step 3. Your new supplier will handle the process for you, including telling your current supplier that you've decided to switch.

Your energy information

Current supplier: [redacted]
Tariff name: Standard (Variable)
Annual Electricity use: 4803 KWh
Annual Gas use: 19923 KWh

Find your own deal

Alternatively you can find another energy deal on-line. This is quick and simple. A great place to start is Ofgem's approved list of price comparison websites:
www.goenergysshopping.co.uk/compare

If you're looking for another deal on price comparison websites, you'll need your energy information. Using the information provided by your supplier will give you an accurate quote.

About the deals we've shown you

Things you need to know about the top deals:

1. These deals were listed as available on 4 January 2017. They may be subject to eligibility criteria and withdrawn at short notice.
2. These deals have been generated using Energylinx price comparison data.
3. The savings may not be achieved if you change your annual energy usage.
4. Different deals may be available if you choose to change your payment method.
5. Ofgem is Great Britain's independent energy regulator. We do not act on behalf of, or represent, any gas or electricity supplier.

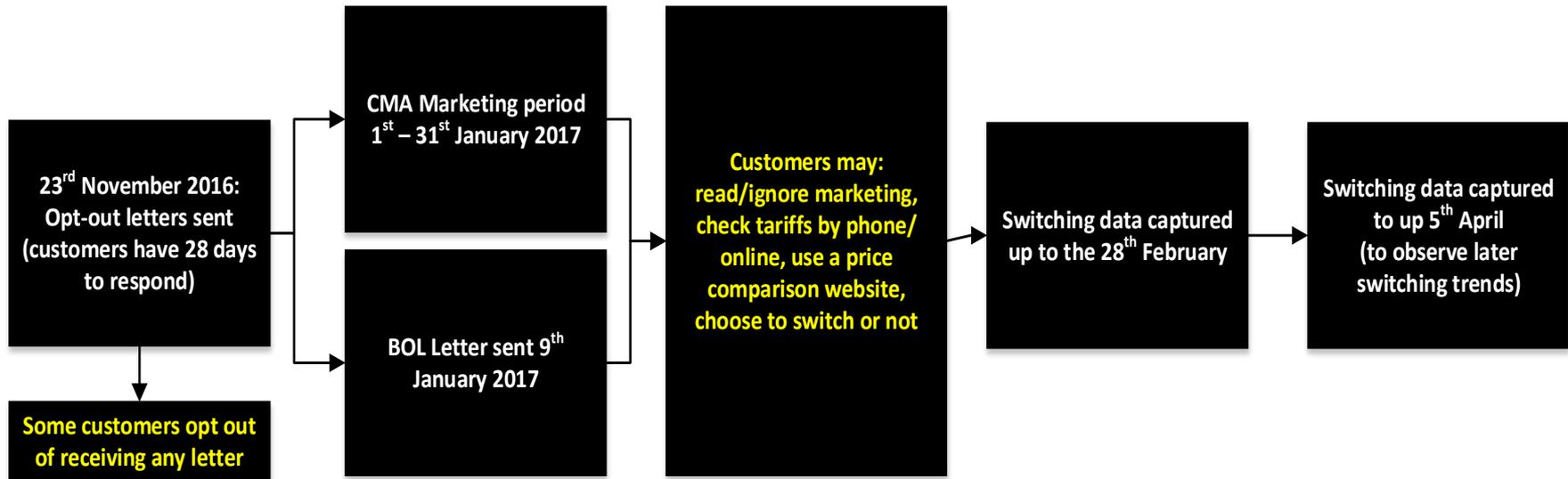
If you have questions about this letter, please contact us at bestoffers@ofgem.gov.uk or call us on **0203 263 9657**.

Our telephone lines are open between 9am - 5pm on Monday to Friday.

Yours sincerely


Jonathan Mortimer
Ofgem Customer Engagement Manager

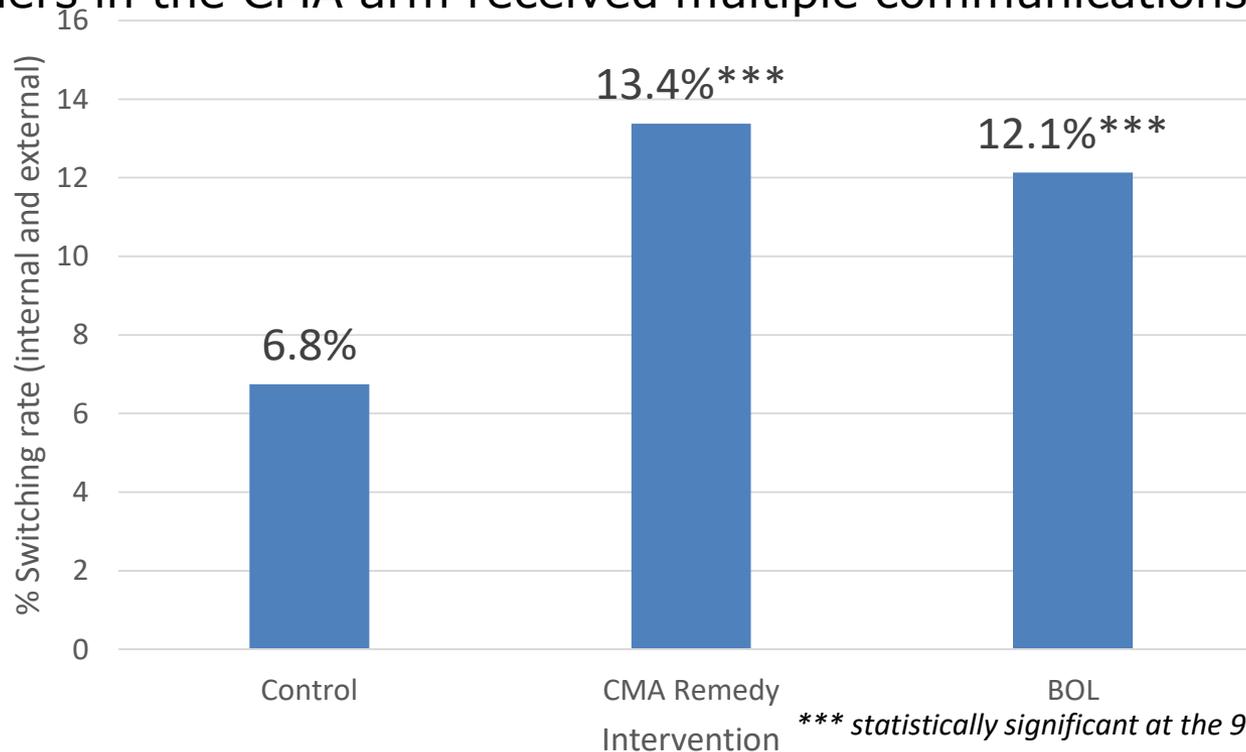
Interventions: time line



- It was not possible to precisely co-ordinate the sending of one Best Offers letter with the sending of multiple CMA marketing letters.
- To ensure that customers had received all the letters which had been sent to them, we measured switching rates from 23rd November until end February as our main switching period.
- We also captured data until the beginning of April to look at switching trends.

Results: switching rates

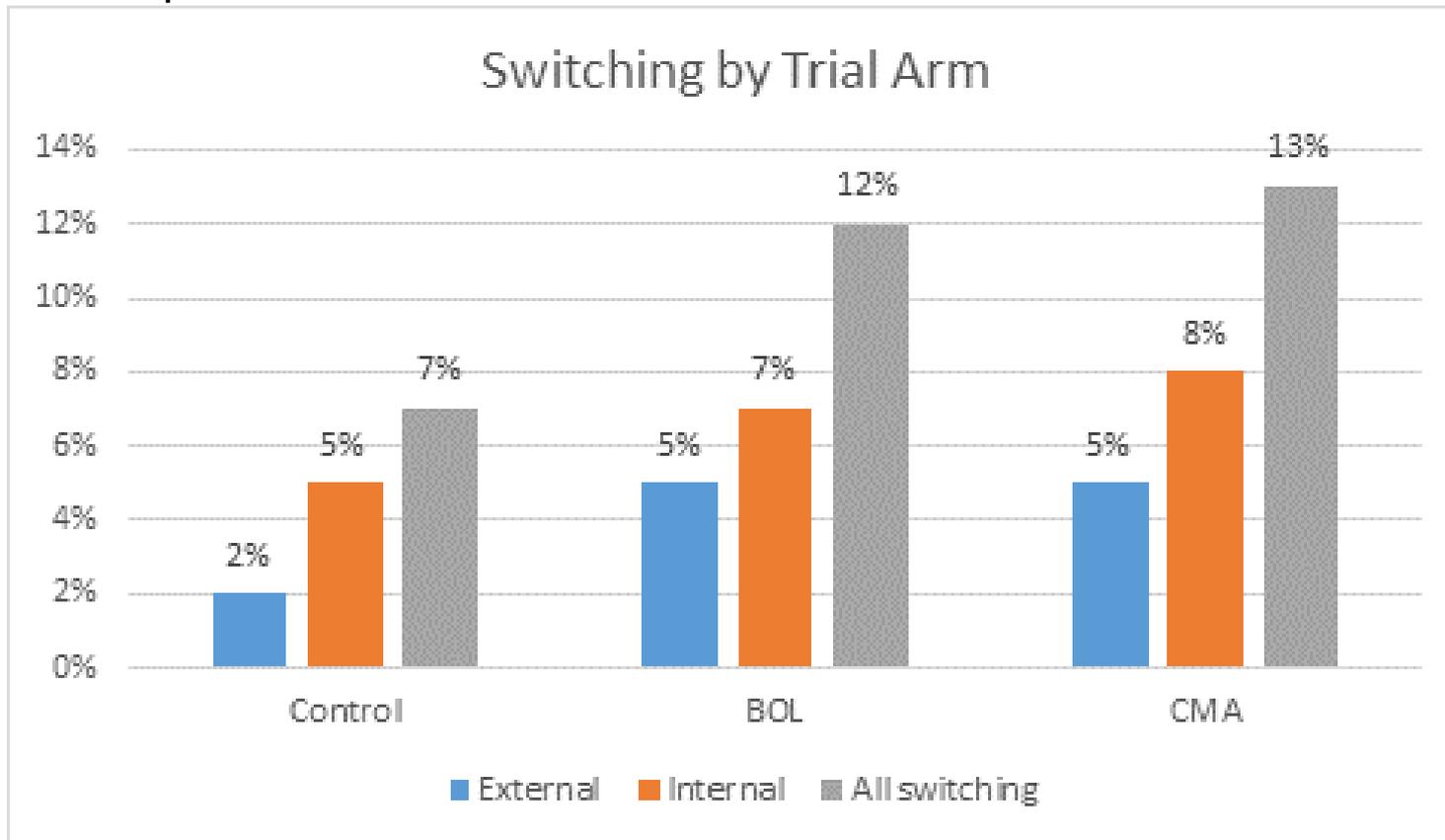
- The graph shows the absolute switching observed over the period of 23rd Nov 2016 – 28 Feb 2017.
- CMA approach and the Best Offers Letter resulted in an increase in switching (against the control) which was statistically significant. The effect of the BOL is particularly encouraging given it was a single communication and most customers in the CMA arm received multiple communications.



*** statistically significant at the 99% confidence level 8

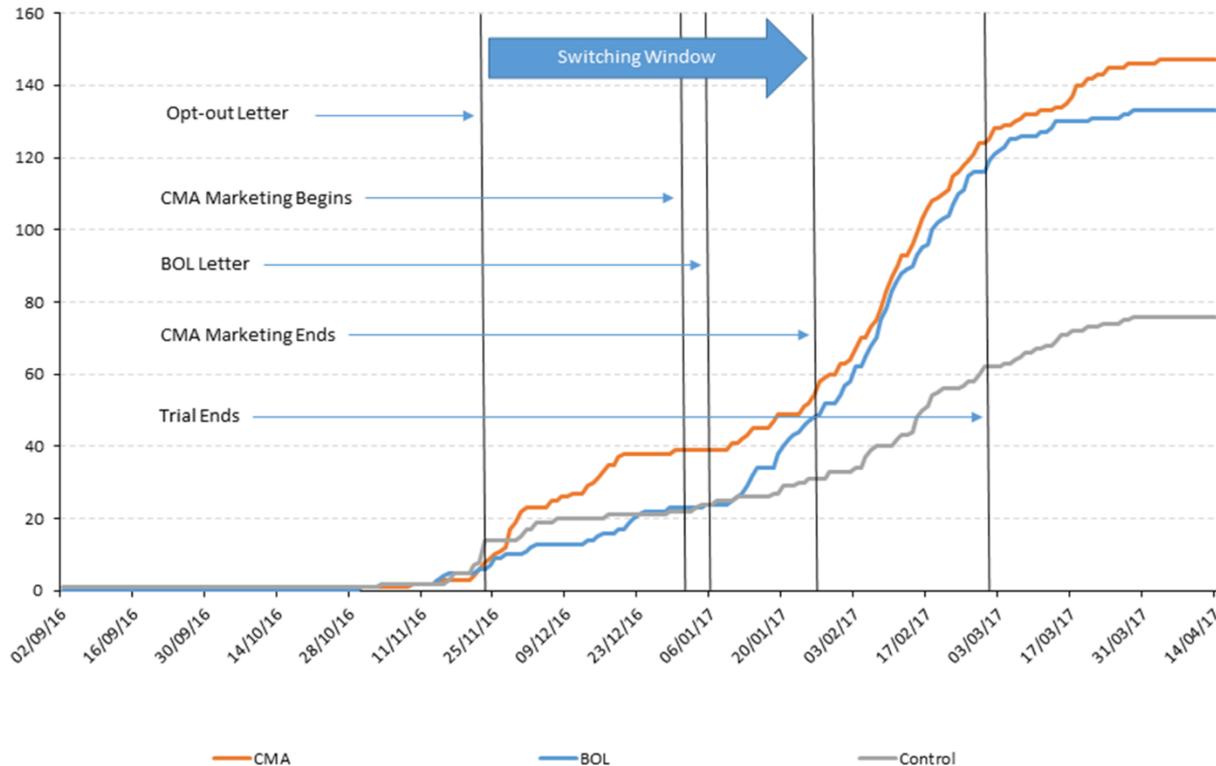
Results: Internal/external switching

In all arms, customers were more likely to switch internally (i.e. change tariff with their existing supplier) than externally (i.e. change supplier). It may reflect customers' desire to avoid perceived 'hassle' in changing supplier and/or their ability to use a BOL or marketing material as leverage to switch to a cheaper internal tariff.



Results: switching over time

Cumulative switches by trial group



After the opt-out letters were sent, there is some switching activity in all arms.

Switching rates go up steeply after customers received the BOL or CMA marketing, much more than for the control group who didn't receive any letter.

However, a price increase notification issued by both suppliers during the trial may have also caused subsequent switches.

Switching continued to rise in both BOL and CMA arms after our switching window closed on Feb 28th, but the steepest rise in switching (compared to the control group) is in the period directly after the letters were sent.

Results: Quality of switch

We were only able to collect limited data on savings made by switching. The suppliers could only provide data on savings from internal switchers, and there is only partial data for external switchers, so the results below should be interpreted with caution.

Based on the data available we see that customers who received marketing (the CMA arm) saved slightly more money by switching than those who received a BOL, but the differences in savings from switching were not statistically significant between the 3 arms.

Trial Arm	Average savings from switching (£)			Number of Observations
	All fuel	Electricity	Gas	
CMA	131	24	107	105
BOL	128	24	104	62
Control	135	16	120	52
Total	131	22	109	219

Qualitative findings

- In order to gain some insight into how and why customers responded to the letters and marketing they had received, we also conducted qualitative research with customers.
- Interviews with customers in the trial were completed by Ofgem’s Customer Insight team from 20th Feb to 8th March 2017.
- Recruitment for the interviews was done by the two suppliers in the trial. Only participants who had not opted out of the trial were included in the sample.
- These qualitative findings give a sense of customers’ opinions and experiences, but cannot be seen as representative of the wider trial sample.

Sample details:

Interviews scheduled	50
Interviews completed	34
Refused/ Void	16
Supplier A customers	20
Supplier B customers	14
CMA Arm	17
BOL Arm	17

Qualitative findings

- Most participants did not express surprise that they were on an expensive energy tariff. Some were not concerned by this, but many looked at the communications and considered the offers.
- Very few participants we interviewed claimed to have switched to one of the suppliers who they received information about, most common actions were:
 - Prompted to look on a price comparison website (PCW) and look for a better deal.
 - Prompted to call supplier with the idea of using it as evidence to negotiate a cheaper tariff.
- For those who did not change supplier or tariff, common reported barriers included:
 - Not recognising the suppliers (although not for everyone).
 - Not having the time/ internet access to research further (it was easier in this situation for some to just call supplier).
 - Not wanting to be drawn into a situation where they were “wheeling and dealing”
 - Perceptions of untrustworthy suppliers, deals that would “eventually go up anyway”

Qualitative findings

- Receiving notice of prices going up was mentioned by some respondents as an additional trigger to action. Respondents also mentioned hearing about high energy prices, e.g. reading about energy prices in the newspaper.
- Reactions were sometimes negative in the CMA arm, with terms such as “intrusive” and some objecting to receiving more marketing via post.
- A few of the people in the sample who had acted claimed not to have seen any marketing - though there is the possibility that the increased post still primed them for action.
- Reactions were generally positive to the Best Offers letter, which was understood and considered clear; however respondents had far less to say about it, and it appeared that for these customers this communication was more easily dismissed.

1. It appears that either issuing SVT customers with multiple pieces of targeted marketing, or a single Best Offers Letter **can increase rates of switching**.
2. **Baseline switching was high:** Switching rate in the control group (6.75%) was higher than expected, and higher than [recent](#) market trends. This may be because of **external factors**: there was a well-publicised price increase during the trial and also there was a programme on energy prices by Martin Lewis (an influential TV journalist and consumer champion).
3. Including a control group, who also received price increases but no opt out letter, BOL or CMA intervention, means we can see that the letters/marketing had a relative effect, but the price increase and other publicity may have inflated this effect. **We cannot be sure** what the effect of the BOL or CMA marketing would have been without these external factors.

- 4. Switching continued to rise** in the month after the trial period in both the CMA and BOL arms. This suggests that for some, mail-based interventions may not always be an immediate trigger to action, but can have a delayed, cumulative impact on customers' switching choices.
- 5. Internal switching was higher**, in all trial arms, than external switching. Our qualitative evidence suggests that this may have been due to customers calling their existing supplier to check the veracity of the letter, and/or using it as leverage to switch to a better deal internally.
- 6. Opt-out rates were low**, only 2% of customers actively chose to opt out of having their shared data.

- This trial showed that postal communications on cheaper energy deals led to some increase in consumer engagement.
- We are further exploring this with the first 'Ofgem led' Randomised controlled trial that forms part of the 'Prompts to Engage' project. This will look to understand the importance of the messenger (Ofgem or the customer's supplier).
- Ofgem are also exploring a digital solution based on the disengaged customer database because we want to see how well an Ofgem branded digital service performs.
- We will be testing the 'Check Your Energy Deal' service in Northampton in Autumn 2017.

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.