Private Beta Digital Trial

Early Findings & Insight

February 2018
The Digital Service aims to:
- **Change supplier** behaviour by **changing consumer** behaviour
  - More consumer engagement -> more **switch away** from suppliers -> more **competitive pressure** on suppliers -> more **effective market**
- Inform our **knowledge base** about consumers as part of our wider retail market policy making process

**Key insights:**
1. Digital service doubled switching rate in trial area compared to control group
2. Social media is very effective at raising awareness of the digital service
3. Supplier data on consumers is a potential issue that needs close management
4. The IT cloud architecture works effectively and is secure
The Problem | The two tier market

Customers on poor value standard variable tariffs typically pay £300 MORE than customers on the cheapest fixed-term tariffs.

60% of energy customers are on non price-protected variable tariffs.

26% of supplier gross profits came from standard variable revenues in 2016, compared to 14% for fixed-tariffs.

Suppliers earn more from inactive consumers who stay on SVTs.

It’s that simple.
The Problem

The two tier market

Cheapest tariffs vs average SVTs (dual fuel)

- Average variable tariff (Six large suppliers)
- Cheapest tariff (larger suppliers)
- Average independent supplier’s variable tariff
- Cheapest tariff (all suppliers)
The Problem | Weak consumer engagement

Consumer disengagement adversely affects competition, specifically:

- Customers have limited awareness of, and interest in, their ability to switch energy supplier
- Customers face real and perceived barriers to accessing and assessing information
- Customers face real and perceived barriers to switching

Proportion of groups who have never switched (%)

- **Income**
  - 29% Over £16k earnings
  - 39% Under £16k earnings

- **Social grade**
  - 45% of consumers from lower social grades (D or E), compared to under a third of other customers.

- **Age**
  - 34% Over 65
  - 30% 35 to 64
  - 45% 16 to 34

- **Payment method**
  - 47% Prepayment
  - 52% Standard credit
  - 29% Direct debit

- **Heating type**
  - 33% Both gas and electricity
  - 49% Electricity only
We trialled the CMA direct supplier marketing approach plus the Best Offers Letter (BoL) last year and results were promising. We agreed to digitalise the concept and trial an online service which has become the ‘Check Your Energy Deal’ service. Designing the service around user needs was a core principle. The service also tries to remove users perception of barriers to switching to a new supplier.

What we did:

• **E.ON** agreed to participate and provide 10k customers from one geographical area
• Selected through open competition a PCW partner – **My Utility Genius** – to calculate deals and provide switching service – via online and telephone
• Digital creative agency selected – **Blue State Digital** – to raise service awareness via sponsored social media
• Worked with **Northampton Citizen’s Advice** to provide assisted digital service for those with specific needs/less digitally literate
• Service live for 8 weeks from **25/9 to 24/11**
• **Evaluation programme** put in place to assess trial impact and gather evidence on what works

Key question: Does a fully digital and assisted digital service encourage the most disengaged to switch to a cheaper energy deal?
• 10k customers in Northampton
• 8 week trial
• User provides basic information
• PCW calculates deals
• Citizens advice provides assisted service
• We started off designing a digital variant loosely based on the Ofgem branded **Best Offers Letter (BoL)**.
Private Beta | Digital development

Don't put it off! Get your cheaper energy deal today

You have 14 days to change your mind after you sign up. Your gas or electricity will not be interrupted at any point, and the way you pay will not change.

You are currently on an expensive energy deal paying on average £70.00 a month

Save £3.33 a month

You would pay £66.67 a month
If you use the same amount of energy

More money-saving energy deals

Save £12.50 a month

You would pay £57.50 a month
If you use the same amount of energy

Save £11.07 a month

You would pay £58.93 a month
If you use the same amount of energy
• Direct supplier marketing achieved **7%** switching rate above the control group. Restricted to Dual-fuel DD customers only.
• Best Offers Letter (BOL) next best at **5%**. Again, restricted to dual-fuel DD customers
• Digital Service interim results at **4.6%** above control group and included all three year plus default tariff customers (except Economy 10 and complicated meter types)
• Control group for digital trial switching rate at **3.7%** which is higher than historical average, we believe driven by supplier’s autumn marketing campaign
Headline results | Quantitative

Savings:
- Average saving online = £293 pa
- Total switches = 868
- Est. economic benefit to Northampton = £254k to date
General feedback:

- The website is seen as clear and concise
- Switchers are happy with the service
- Ofgem is seen as a natural fit with comparison services
- Ofgem's name is recognised as independent, trusted and impartial

Thoughts about Ofgem’s role in the trial:

- The Ofgem brand is strong and evokes trust and confidence
- If the invitation letter had the Ofgem logo it would have had a bigger impact
- Most are enthusiastic about the service being offered by Ofgem.
- The only negative sentiments relate to frustration at not being offered the best deals without the need for Regulator intervention

Comments from users of the service:

Once I had made up my mind, I contacted the supplier I had chosen through their website and switched that way. This was the simplest and quickest route as they stated that they would manage the transfer for me. (Accessed the service (email/letter) and switched using another method)

I switched as soon as I got my credit back from Eon. I think I went on the Ofgem site website 3 or 4 times in total though. (Accessed the service (email/letter) and switched using another method)

Surely It’s is a moot point, shouldn’t the companies themselves do this? I know that it is a double edge sword… they need not to rip people off, and they need to make a profit. And how much strength do Ofgem have? (Didn’t access, didn’t switch)

[Supplier] emailed me a quote and said they would phone me shortly. They rang me back a minute later and their customer service guy started a hard sell on me there and then. However, I wasn’t prepared to make a decision immediately because I wanted to think about it. So I waited a week and then called them back; that’s when I made the switch. (Accessed the service (email/letter) and switched using another method)
For those that haven’t switched, the reasons for not doing so vary quite considerably – but almost all are impressed by the clarity of the communication and the ease of the site.

**Didn’t access, didn’t switch**
- I read the letter but I didn’t want to take things further. I didn’t want to opt out - I don’t know why really - just in case I suppose.

- I thought the letter was very clear. It was asking me to consider if I wanted to switch and it gave me a phone number to call if I wanted to get more information about it. The fact it was Ofgem made it more believable. I didn’t want to switch though

**Accessed but didn’t switch**
- I just went on the link and didn’t do anything after that - it was easy to read, I wasn’t sure if I believed the information that was on there or not.

- I thought it was really good; it showed you what you could save straight away, I clicked on the link and put my postcode.

**Accessed and switched**
- The letter that came from the supplier with Ofgem on it prompted me to act. I felt confident having Ofgem on the letter in checking their website. With the Eon logo on the letter, it was almost them recommending us to try the website.

- It was short and concise, and indicated that you could take some action, and I did it the same day. As it was from Ofgem it was credible and without prejudice.

“**I had read that Eon would be contacting us, it was no surprise when they did – it was good**”
(didn’t access, didn’t switch)

“**Normally the info you get from energy suppliers has [lots of] terms and conditions, whereas this was a simple one page letter entitled “Check Your Energy Deal”. Eon being forced to tell me to potentially leave them, meant I was intrigued - in a good way,”**
(accessed but didn’t switch)

“**I thought it was fairly simple, fairly short and easy to digest. I acted on it almost immediately.”**
(switched using the service)
Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

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