



Department
for Business
Innovation & Skills

SWITCHING PRINCIPLES

Call for Evidence

OCTOBER 2015

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Call for evidence: Switching Principles

In this Call for Evidence we want to gather consumer experiences of how the switching process works for them, as well as the views of regulators, industry and other interested parties on what the challenges are when it comes to helping consumers get a good deal, and switch when better deals arise elsewhere.

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Respond by: 4 December 2015

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Consumer and Competition Policy
Switching – Call for Evidence Team (Victoria 357)
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London SW1H 0ET

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Email: Switching@bis.gsi.gov.uk

or

<https://bisgovuk.citizenspace.com/ccp/switching-suppliers-making-it-easy-for-consumers>

1. Introduction

- 1.1 If you knew you had won £200 on the lottery, would you forget to claim it? Probably not. Yet consumers across the UK are effectively ignoring significant savings every year when they stick with their current providers of essential but routine services. We're very familiar with the concept of comparing tins of beans, or headphones, or holidays. We look at price, quality of product and customer service and we are happy to change providers in search of a good deal. But what about those essential and often costly on-going things we buy such as energy, current accounts, telephone, broadband and TV services? How often do we look at and change these?

2. Call for Evidence - Switching

- 2.1 This is an invitation to submit evidence to the Department for Business, Innovation and Skills on how a set of switching principles applicable across certain key sectors could be implemented. The aim of this is to reduce the frictions in the switching process, in particular in those regulated sectors where consumer engagement has been lower than might be expected and where some consumers currently miss out on savings by not switching. Responses will be shared with other government departments with interests in these sectors.

The Principles

- Switching should be free to the consumer, unless they are aware of and have consented to fair and reasonable restrictions and charges to do so.
- The switching process itself should be quick, at an agreed date.
- The switching process should be led by the organisation with most interest in making the switching process work effectively – the gaining provider.
- Consumers should have access to their consumption or transaction data. This should be in a format that can be easily reused (“midata”) and they should be able to authorise third parties such as comparison sites to access their data to help them to switch.
- Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results.
- There should be an effective process for consumers to get redress if anything goes wrong in the switching process.

- 2.2 Taking the right actions to effectively implement these principles, by Government, regulators and regulated companies will, we believe, help consumers to switch suppliers easily and drive productivity, competition and innovation across these

sectors. We are focussing on business to domestic consumer contracts. To ensure the principles have maximum impact, we want to hear from consumers and others how the principles can be best implemented to support quick, easy and confident switching between suppliers.

- 2.3 To help with this we also want to understand from consumers what motivates them to switch (or not), and how they and regulators view the facilities and practices currently on offer across these industries. Evidence submitted by all respondents will help us identify concrete actions we need to take to help consumers be more active in these markets.
- 2.4 The Government will work with regulators and industry where necessary to agree specific actions which are needed to implement the principles fully and make the switching process as straightforward as possible for consumers. As examples, these could include voluntary action by industry, changes to regulators' rules and, if necessary, changes in the law. This action plan will be published as part of the Government response to this call for evidence.
- 2.5 Whilst the key focus of this call for evidence will be to understand how best to ensure adoption of these principles as the industry standard across energy, the telecoms markets and current accounts¹ and where consumer engagement has been low, we would also welcome any views and experiences of switching providers in other areas such as insurance, credit cards, savings and mortgage, sectors where customer engagement is generally higher but might also be improved through wider adoption of the principles.

3. The Story So Far

- 3.1 Many consumers are already realising the benefits of switching, and many businesses are responding to this. Government and regulators have already made progress in making switching easier; however we believe that there is more that Government and regulators can do in this vital area.

Some examples (see Annex B for more detail):

- HM Treasury delivered the Current Account Switch Service, backed by an innovative Current Account Switch Guarantee, in September 2013, and launched midata in the personal current account market, in April 2015, to help consumers understand which bank is best for them based on how they use their account.
- In energy, earlier this year, Ofgem tightened its Confidence Code for energy price comparison websites that bear the Ofgem kitemark; ensuring customers are told which suppliers pay commission to the websites, boosting customers' trust in the marketplace.

¹ Annex B sets out how the principles currently operate within these sectors

- Ofgem is leading a programme to introduce reliable next day switching during this Parliament.
- In June, Ofcom implemented a 'one-touch' process for consumers switching broadband or landline providers on the Openreach network. That reformed process places responsibility for the switch on the provider to which the consumer is moving.

Why are we doing this?

- 3.2 The recently launched Productivity Plan² highlighted the importance of open and competitive markets in realising productivity growth. Customers who actively and regularly look for the best deals – customers who push the market to deliver excellence in service, product quality and value for money – are key to creating competitive and dynamic markets. Without these engaged customers, businesses may lack incentive to innovate and to grow.
- 3.3 Engaged customers keep businesses agile and responsive. Engaged customers make conscious decisions about their purchases, which means traders cannot rest on their laurels. And a critical mass of engaged customers can help ensure the market works for vulnerable consumers who are not so able to engage with the market. This is good for business and good for consumers – a win-win. But it is also true that achieving active consumer participation can be more difficult in some sectors, and this is all the more problematic for essential and economically significant services. (Annex C brings together existing evidence on consumer switching in the energy, telecoms and current account sectors).

Barriers to active consumer engagement

- 3.4 Consumers are often willing to engage if the choices are clear and easy to make, the reward/pay back immediate or obvious, or the subject interesting to the buyer. Consumers make active choices when it comes to supermarket shopping for instance, with customers often going to different shops for different items or choosing between competing brands within a store. Although the product value is small, the choices are transparent, it is as easy to take one item of a shelf as another, the savings are clear, and the financial commitment relatively limited (low value one-off purchases) and the variety of choice can keep things interesting. Buying a television may require some research but again, the payback in terms of future enjoyment makes it interesting and, as a relatively rare purchase, we are more prepared to invest time in choosing.
- 3.5 But what about those continuous services that roll on, uninterrupted, in the background every day? Things like our bank accounts, gas and electricity supply, internet and satellite services. Complex or unreliable comparison tools and switching processes put us off engaging in the switching process, and we don't enjoy being

²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443897/Productivity_Plan_print.pdf

called on to make frequent decisions about everyday items which aren't clearly differentiated as to price or quality.

- 3.6 For the market to work well, consumers need to make active choices. How can consumers in these sectors be helped and encouraged to look for the best deal and change when better deals arise elsewhere? Regulators in the sectors and the Government are working on this but the data shows that there are still a significant number of consumers who do not engage or if they do, do not always get the best deal. The table below shows the switching rates for some key services: Gas, Electricity, Bank Accounts, Mobile, Fixed-line, Broadband and Digital TV. This shows the number of consumers who switched provider in the last 5 years as a percentage of all customers.³

	Electricity	Gas	Bank Accounts	Fixed line	Mobile	Broadband	Digital TV
2014	12%	12%	3%	6%	7%	6%	2%
2013	12%	12%	5%	9%	11%	9%	3%
2012	13%	12%	4%	10%	9%	9%	3%
2011	17%	15%	2%	8%	9%	7%	3%
2010	15%	15%	3%	9%	9%	10%	4%

4. The Switching Principles

- 4.1 Below we set out a list of draft principles (the 'Switching Principles'). We believe these will help consumers to identify the best deal for them, to switch suppliers easily should they wish to switch, and so drive productivity, competition and innovation. They should ultimately apply to all sectors where consumers have a long term engagement with a service supplier.

The Principles

Below we discuss these principles in more detail and outline why they are important. For more information on how these work in the energy, telecoms and current account markets, please go to the current landscape document (Annex B).

Switching should be free to the consumer, unless they are aware of and have consented to fair and reasonable restrictions and charges to do so.

³ http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-14/TCE14_research_report.pdf

source data from Ofcom Switching Tracker based on a survey where consumers are asked if they have switched over the last 12 months, for each year from 2010-2014, July - August 2014 Base: All adults aged 16+ who are the decision-maker for fixed-line (2014,1736), mobile (2014,1679), fixed broadband (2014, 1464), digital TV (2014,1723), electricity (2014,1728), gas (2014,1465), car insurance (2014,1421), bank account (2014,1899). Although other estimates do exist, the Ofcom Switching Tracker gives a good estimation of consumer switching across multiple sectors, using one methodology. Other sources of switching rates include the EU survey data Eurobarometer. Taking the other sources of switching rates together gives a range for switching rates in 2013: Energy 11-13%, Fixed-line phone 8-9%, Mobile phone 9-11%, Digital TV 3-7%, Broadband 9-13%.

- 4.2 Consumers can face various financial costs when switching provider that are not incurred by remaining with the current provider. This principle focuses on the exit fees often charged as a penalty for leaving contracts. Evidence suggests that “on balance switching costs seem more likely to increase prices”⁴ by dissuading consumers from switching and therefore, reducing competitive pressures on suppliers. Consumers should be made aware of financial switching costs and the ways in which they can avoid them before they take out a contract.

The switching process itself should be quick, at an agreed date.

- 4.3 Consumers can experience problems with the actual switching process, with some problems more particular to certain sectors. For example, when prompted to recall their experience, around half of switchers in each of the communications markets said they had experienced difficulties which included ‘arranging start and stop times’, and ‘temporary loss of service’. These would be resolved if this principle was adopted in the communications sector.

The switching process should be led by the organisation with most interest in making the switching process work effectively – the gaining provider.

- 4.4 The provider consumers need to contact as part of the switching process has implications for the consumer experience. When the process is led by the gaining provider, there is an incentive for the process to be quick and efficient. When the process is led by the losing provider, the consumer is required to liaise with a provider that has little incentive to make the switch happen. This can result in delays, increased costs and sometimes unwanted pressure on the consumer to stay with that provider, albeit that may result in the provider offering their customer a better deal if they stay. All else being equal, the total time spent by the consumer is expected to be shorter under a gaining provider led (GPL) process, and the evidence suggests GPL processes provide the best consumer experience. If this principle were adopted across the regulated sectors, it is likely to reduce friction in the processes.

Consumers should have access to their consumption or transaction data. This should be in a format that can be easily reused (“midata”) and they should be able to authorise third parties such as comparison sites to access their data to help them to switch.

- 4.5 In order to make effective comparisons and select between services, consumers need to have knowledge of their own usage patterns. Without this information, or if it is difficult to find, it is hard for consumers to make an informed choice and they may be deterred from comparing the offers available on the market. Midata is one way that companies can make a consumer’s consumption or transaction data available, while well-designed Application Programming Interfaces (APIs) let customers authorise third party apps or tools to automatically access their data and provide them with a useful service (such as price comparison) based on it.

⁴ <http://stakeholders.ofcom.org.uk/binaries/consultations/mobile-switching/summary/consumer-switching.pdf>

Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results.

- 4.6 Price comparison sites can be a really effective way of helping consumers engage with switching. However, many consumers are unclear about how comparison sites are funded and what to expect from them. There is evidence suggesting that a lack of trust may be a barrier to greater use of price comparison websites by the general population. The aim of this principle is to increase trust in comparison sites by ensuring consumers have the information they need to understand how comparison sites work and how best to use them to compare different providers.

There should be an effective process for consumers to get redress if anything goes wrong in the switching process.

- 4.7 One of the barriers to switching is the perception that either the benefit from engaging in the market is low and/or the costs are high if something goes wrong in terms of the time and effort involved in sorting it out. It is likely that if the process for redress was clear and effective across all sectors, consumer confidence would increase.

The following table illustrates how certain key sectors match up against the principles:

	Free ¹	Gaining provider-led GPL	Quick ²	Access to Data		Assured transparent comparison sites (no.)	Availability of redress ³	Switching rates, trends (2014) ⁴
				midata ⁵	API to third parties ⁶			
Energy	Yes	Yes	Yes voluntary	Yes for larger companies	One company, others to follow	Ofgem Confidence Code accredited sites (12)	All suppliers must participate in sectoral certified ADR scheme.	12%
Fixed line phone	Yes	Yes, for switches between providers using the same infrastructure ⁷	10 working days ⁸	No	No	Ofcom approved sites (4)	As above.	6%
Mobile phone	Yes ⁹	No	1 working day ¹⁰	No	No	Ofcom approved (3)	As above	7%
TV subscription	Yes	No	No max, specific day in some cases ¹¹	No	No	Ofcom approved (4)	As above	2%
Fixed line Broadband	Yes	In some cases ^(see 8)	10 working days	No	No	Ofcom approved (4)	As above	6%
Current accounts	Yes	Yes	7 days	Yes for larger banks	Work in progress	No ¹²	As above.	2-4% ¹³

1. Free switching process. When the consumer is on a fixed contract, exit charges often apply.
2. In Energy there is a mandatory 14 day cooling-off period. Communication services are also covered by the statutory 14 day cooling off period under the Consumer Contracts Regulations – see <http://www.legislation.gov.uk/ukxi/2013/3134/contents/made>.
3. Statutory Alternative Dispute Resolution (ADR) mechanisms are in place in all utility sectors.
4. http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-14/TCE14_research_report.pdf source data from Ofcom Switching Tracker based on a survey where consumers are asked if they have switched over the last 12 months, for each year from 2010-2014, July - August 2014 Base: All adults aged 16+ who are the decision-maker for fixed-line (2014,1736), mobile (2014,1679), fixed broadband (2014, 1464), digital TV (2014,1723), electricity (2014,1728), gas (2014,1465), car insurance (2014,1421), bank account (2014,1899). Although other estimates do exist, the Ofcom Switching Tracker gives a good estimation of consumer switching across multiple sectors, using one methodology. Other sources of switching rates include the EU survey data Eurobarometer. Taking the other sources of switching rates together gives a range for switching rates in 2013: Energy 11-13%, Fixed-line phone 8-9%, Mobile phone 9-11%, Digital TV 3-7%, Broadband 9-13%.
5. “midata” are customers’ consumption or transaction data held by companies. If available to consumers in an easy to use form, midata helps them to make accurate comparisons of the market.
6. “API (Application Programming Interface) to third parties” — is an automated process for consumers to give consent to third party apps or tools to get their data and provide them with a useful service based on it. This is another way to promote effective switching by making it easier for consumers to compare.
7. Fixed line phone and broadband: harmonised GPL Notification of Transfer process for providers using the Openreach and KCOM copper networks from 20 June 2015. Switches to/from other networks use “cease and re-provide” where the customer stops one contract and starts another – time taken varies. many consumers will take this as part of a bundle and therefore this is GPL for switches between providers using the same infrastructure.
8. 10 working days is only for the Gaining Provider Led Notification of Transfer process
9. Mobile: Charges may apply for unlocking handsets
10. This applies where a customer wishes to port (keep) their mobile phone number. A switch without a port follows “Cease and re provide” (see note ix) and time taken varies.
11. With triple play bundles from Talk Talk and BT, consumer needs to take Broadband to get the pay TV service so if you cancel Broadband then the pay TV service also gets cancelled
12. Personal current accounts: Most comparison sites simply display the available products and link to supplier websites. Only one (Gocompare.com) provides personalised comparisons based on transaction data (midata)
13. Switching Current Account range uses data from BIS Consumer Detriment Survey 2014 and the percentage of switches per current account holders (based on calculation 1,136,251 switches in 2014/2015 / 46 million current account holders = 4% (3.82%))

5. How to respond

The Call for evidence will begin 22 October 2015 and will run for 6 weeks, closing on Friday 4th December 2015

When responding please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation response form and, where applicable, how the views of members were assembled.

You can reply to this consultation online at: <https://bisgovuk.citizenspace.com/ccp/switching-suppliers-making-it-easy-for-consumers>

The Response form is available electronically on the call for evidence page: <https://www.gov.uk/government/consultations/switching-suppliers-making-it-easy-for-consumers> (until the call for evidence closes), and at Annex A of this document.

If you decide to respond the form can be submitted online, or by email or by letter to:

Department for Business, Innovation and Skills
Consumer and Competition Policy
Switching – Call for Evidence Team (Victoria 357)
1 Victoria Street
London SW1H OET

Tel 020 7 215 5000

Email: Switching@bis.gsi.gov.uk

Citizen Space: <https://bisgovuk.citizenspace.com/ccp/switching-suppliers-making-it-easy-for-consumers>

A list of those organisations and individuals consulted is in Annex D. We would welcome suggestions of others who may wish to be involved in this consultation process.

Versions of this document are available in other formats, for example Braille, other languages or audio-cassette on request.

BIS consultations are digital by default but if required, printed copies of the call for evidence document can be obtained from the contact above.

6. Confidentiality & Data Protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want information, including personal data that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

7. Help with queries

If you have questions about the policy issues raised in this document, please contact:

Department for Business, Innovation and Skills
Consumer and Competition Policy
Switching – Call for evidence (Victoria 357)
1 Victoria Street
London SW1H 0ET

Tel: 020 7215 5000
E-mail: switching@bis.gsi.gov.uk

8. Comments or complaints

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

Angela Rabess
BIS Consultation Co-ordinator,
1 Victoria Street,
London
SW1H 0ET

Tel: 020 7215 1661
Email: Angela.Rabess@bis.gsi.gov.uk

A copy of the Code of Practice on consultations can be found here:

<http://www.cabinetoffice.gov.uk/sites/default/files/resources/Consultation-Principles.pdf>

Annex A: Response Form - Call for evidence: Principles for consumer switching

We would welcome responses to the questions below (any or all) as well as any other comments respondents may wish to make. We are focussing on business to domestic consumer contracts.

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

A copy of this call for evidence can be found at: <https://www.gov.uk/government/consultations/switching-suppliers-making-it-easy-for-consumers>

You can complete your response online through <https://bisgovuk.citizenspace.com/ccp/switching-suppliers-making-it-easy-for-consumers>

Alternatively, you can e-mail or post the completed response form to:

Department for Business, Innovation and Skills
Consumer and Competition Policy
Switching – Call for Evidence (Victoria 357)
1 Victoria Street
London SW1H 0ET

Tel 020 7 215 5000
Email Switching@bis.gsi.gov.uk

The closing date for the call for evidence is Friday 4 December 2015

Confidentiality and disclosure of responses

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses. If you wish your response to remain confidential you must provide a reason. Do you agree for your response to be published or disclosed if requested?

Yes No

Your details

Name:

Organisation (if applicable)

Job title (if applicable)

Address:

Telephone number:

Email address:

Please tick the box from the list that best describes you, your company or your organisation

	A consumer?
	A consumer group representative?
	A business responding as a customer (please indicate number of employees)?
	A business responding as a service provider?
	An intermediary such as Price Comparison provider (please give nature of your service)?
	A regulator?
	Other? (please state what)

If responding on behalf an organisation, please state the name of your organisation

ALL CONSUMERS

For all consumers

Q1: Have you switched supplier in the last 2 years?
(Required)

Please select only one item

- Yes – I have switched supplier No – I considered switching but didn't switch
- No – I have not considered switching

CONSUMERS WHO HAVE SWITCHED

For consumers who have switched

Q1: What service(s) have you switched? (Answer all that apply)

Please select all that apply

Energy Banking Mobile Fixed-line phone Broadband TV

Other (e.g. mortgages, insurance, credit cards, please comment)

Q2. When you switched, did you have to pay any switching costs or deal with any penalty charges for breaking fixed-term contracts?

	Yes	No	Not applicable
Energy <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (e.g. mortgages insurance, credit cards) <i>Please specify which service you are Referring to in the comments box</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please select only one item

If you clicked 'other' please specify which service you switched below

Any additional comments (e.g. how much were these, when did you become aware of them, what were they (e.g mobile phone unlocking, exit charges)?

Q3. When you switched, were you able to switch: as quickly as you wanted?

	Yes	No	Not applicable
Energy Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (e.g. mortgages insurance, credit cards) Please specify which service you are Referring to in the comments box Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you clicked 'other' please specify which service you switched below

Any additional comments (e.g. how long did the process take, were there any delays?)

Q4. When you switched, were you able to switch on an agreed date?

	Yes	No	Not applicable
Energy Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (e.g. mortgages insurance, credit cards) <i>Please specify which service you are Referring to in the comments box</i> <i>Please select only one item</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you clicked 'other' please specify which service you switched below

Any additional comments (e.g. How long did the process take, were there any delays?)

Q5. When you switched, did the new supplier take responsibility for organising all steps in the switch or did you need to contact your existing supplier?

	The new supplier took responsibility	I needed to contact the existing supplier	Not applicable
Energy <i>Please select only one item</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking <i>Please select only one item</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile <i>Please select only one item</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone <i>Please select only one item</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband <i>Please select only one item</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV <i>Please select only one item</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (e.g. mortgages insurance, credit cards)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please specify which service you are referring to in the comments box

Please select only one item

If you clicked 'other' please specify which service you switched below

Any additional comments (e.g. if you had to contact your existing supplier did they offer to negotiate a better deal for you?)

Q6. When you switched, did you use a price comparison site?

	Yes	No	Not applicable
Energy <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (e.g. mortgages insurance, credit cards) <small>Please select only one item</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Please specify which service you are referring to in the comment box below
Please select only one item*

If you clicked 'other' please specify which service you switched below

Any additional comments

Q7. Do you think price comparison websites show the full range of deals available on the market and make it easy to compare the deals on offer (including on non-price factors like customer service)?

Please select only one item

Yes No

Any additional comments

Q8. Do you think price comparison make clear if they receive any funding from suppliers?

Yes No

Any additional comments

Q9. When you switched, did you experience any problems with the switching process?

	Yes	No	Not applicable
Energy Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (e.g. mortgages insurance, credit cards

*Please specify which service you are Referring to in the comments box
Please select only one item*

If you clicked 'other' please specify which service you switched below

Any additional comments (please include further information here if you would like to say more about your experience)

Q10. Did you know who to contact if there was a problem with the switching process?

	Yes	No	Not applicable
Energy Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (e.g. mortgages insurance, credit cards) <i>Please specify which service you are Referring to in the comments box Please select only one item</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you clicked 'other' please specify which service you switched below

Any additional comments (e.g. what would you have done if there was a problem with the process?)

Q11. Do you find it easy to work out how much you use each month (e.g. gas units, data, and minutes)?

	Yes	No	Not applicable
Energy Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (e.g. mortgages insurance, credit cards) <i>Please specify which service you are Referring to in the comments box</i> Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you clicked 'other' please specify which service you switched below

Any additional comments (if no, why is this?)

Q12. Do you have any other comments you would like to make on the switching process or the proposed switching principles?

CONSUMERS WHO HAVE NOT SWITCHED IN THE LAST TWO YEARS

For consumers who have not switched in the last two years

Q1: Are you responsible for any services which you have not switched in the last 2 years? (Answer all that apply)

Energy Banking Mobile Fixed-line phone Broadband TV

Other (e.g. mortgages, insurance, credit cards) please specify which service you are referring to in the comments box

Additional comments

Q2. If you were to switch services do you think you would have to pay any switching costs or pay a penalty to get out of fixed-term contracts?

	Yes	No	Not applicable
Energy Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (e.g. mortgages insurance, credit cards) <i>Please specify which service you are Referring to in the comments box</i> Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you clicked 'other' please specify which service

Any additional comments (e.g. how much were these, when did you become aware of them?)

Q3 Have potential costs prevented you from switching when you wanted to?

	Yes	No	Not applicable
Energy Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Banking

Please select only one item

Mobile

Please select only one item

Fixed line phone

Please select only one item

Broadband

Please select only one item

TV

Please select only one item

Other (e.g. mortgages insurance, credit cards)

*Please specify which service you are Referring to in the comments box
Please select only one item*

If you clicked 'other' please specify which service

Any additional comments

Q4. Did concerns over how long the process would take prevent you from switching?

Yes No Not applicable

Energy

Please select only one item

Banking

Please select only one item

Mobile

Please select only one item

Fixed line phone

Please select only one item

Broadband

Please select only one item

TV

Please select only one item

Other (e.g. mortgages insurance, credit cards

insurance, credit cards)

Please specify which service you are

Referring to in the comments box

Please select only one item

If you clicked 'other' please specify which service

Any additional comments (e.g. what made you think the process might take too long or be delayed?)

Q5. Would you be more likely to switch if you only had to deal with your new supplier (i.e. not have to contact your existing supplier?)

Yes No Not applicable

Energy

Please select only one item

Banking

Please select only one item

Mobile

Please select only one item

Fixed line phone

Please select only one item

Broadband

Please select only one item

TV

Please select only one item

Other (e.g. mortgages insurance, credit cards

*Please specify which service you are Referring to in the comments box
Please select only one item*

If you clicked 'other' please specify which service

Any additional comments (e.g. have you ever used the threat of switching to secure a better deal from your current supplier?)

Q6. If you were going to switch, would you use a price comparison site?

Please select only one item

Yes No

Any additional comments (if no, why is this? Would you use a comparison sites for some services and not others?)

Q7. Do you think the price comparison sites make it easy to compare the deals on offer (including based on non-price factors like customer service, if those were important to you) and do they make clear if they receive any funding from suppliers?

Please select only one item

Yes No

Any additional comments (if no, why is this?)

Q8. Did concerns over something going wrong with the process prevent you from switching?

	Yes	No	Not applicable
Energy Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed line phone Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broadband Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (e.g. mortgages insurance, credit cards) <i>Please specify which service you are Referring to in the comments box</i> <i>Please select only one item</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you clicked 'other' please specify which service

Any additional comments (if yes, why is this?)

Q9. Do you find it easy to work out how much you use each month (e.g. gas units, data, and minutes)?

	Yes	No	Not applicable
Energy Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking Please select only one item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please select only one item

Fixed line phone

Please select only one item

Broadband

Please select only one item

TV

Please select only one item

Other (e.g. mortgages insurance, credit cards)

*Please specify which service you are Referring to in the comments box
Please select only one item*

If you clicked 'other' please specify which service

Any additional comments (if no, why is this?)

Q10. Do you have any other comments you would like to make on the switching process or the proposed switching principles?

RESPONDENTS OTHER THAN CONSUMERS

Q1. Do you think switching costs or contract terms act as a deterrent to switching?

Yes No

Please provide more information (please specify sector)

Q2. In your sector, what are the key factors that contribute to switching costs and prevent free switching?

Please provide information (please specify sector)

Q3. What would need to happen to remove these factors and implement free switching?

Please provide information (please specify sector)

Q4. Do you think the length of time it takes to switch acts as a deterrent to switching?

Please select only one item

- Yes No

Please provide more information (please specify sector)

Q5. In your view, what factors might slow the speed of the process and/or prevent the switch taking place on an agreed date?

Please provide information (please specify sector)

Q6. What would need to happen to remove these factors and implement quicker switching on an agreed date?

Please provide information (please specify sector)

Q7. Do you think consumers would be more likely to switch if they only had to deal with the gaining provider (i.e. where the new provider takes responsibility for organising all steps in the switch)?

Yes No

Please provide information (please specify sector)

Q8. In your view what factors might prevent the gaining provider taking responsibility for organising all steps in the switch, or force the consumer to engage with their existing provider to arrange the switch?

Please provide information (please specify sector)

Q9. What would need to happen to remove these factors and implement gaining-provider led switching?

Please provide information (please specify sector)

Q10. Do you think consumers are easily able to work out how much they are using each month (e.g. gas units, data, minutes) and use this information to manage their accounts or make valid comparisons of deals?

Yes No

Please provide information (please specify sector)

Q11. What would need to happen to make it easier for consumers to better understand their usage patterns and use this information to manage their accounts or to make valid comparisons of deals?

Please provide information (please specify sector)

Q12. In your view, can consumers be confident that comparisons sites will give them a good chance of identifying the best deal for them?

Yes No

Please provide more information (please specify sector)

Q13. Do you consider that comparison sites make sufficiently clear where they have received funding from featured suppliers?

Yes No

Please provide more information (please specify sector)

Q14. What would need to happen for consumers to be confident comparison sites will help them identify the best deal for them, and / or make clear when they receive funding from featured suppliers?

Please provide information (please specify sector)

Q15. Do you consider that there is an effective redress avenue available when a problem arises with the switching process?

Yes No

Please provide more information (please specify sector)

Q16. In your view what would an effective redress system look like and how could it be implemented?

Please provide information (please specify sector)

Final comments

Q17. Do you have any other comments you would like to make on the switching process or the proposed switching principles?

Open comments

Q18. Please upload any additional evidence you have on the switching that you would like to share. For example, any surveys or research you have conducted. By uploading a file, you are confirming that you are the copyright holder. Please attach a copy of any documents you wish to include to this printout.

Annex B - Current switching landscape for telecoms, energy and banking

Switching Principles – Telecoms	
Switching should be free to the consumer, unless they are aware of and have consented to fair and reasonable restrictions and charges to do so	The switching process is generally free, although there may be charges, such as for unlocking handsets
The switching process should be led by the organisation with most interest in making the switching process work effectively – the gaining provider	<p>In 2010 Ofcom published a Strategic Review of Consumer Switching setting out their preference, in principle, for switching processes to be 'Gaining Provider Led'.</p> <p>In August 2013 Ofcom decided that all switches for fixed voice and/or broadband services for providers using the Openreach copper network (e.g. BT, EE, Sky and TalkTalk) would be harmonised to a single GPL model. This was implemented on 20 June 2015. Now, consumers wishing to switch fixed voice and broadband services between providers on the Openreach and KCOM (in the Hull area) copper networks need only contact their gaining provider. Switches to/ from other networks (e.g. Virgin Media cable) use 'cease and re-provide', where the customer stops one contract and starts another.</p> <p>Currently, mobile phones and TV subscriptions are not led by the gaining provider (except for when taken as part of a bundle, in which case it is for switches between providers using the same infrastructure).</p> <p>On 28 July 2015, Ofcom published a 10-week 'green' consultation on proposals for mobile switching process reforms, which could make switching easier for mobile consumers. Proposals include:</p> <ul style="list-style-type: none"> ➤ Removing the need for a customer to have <i>direct</i> contact with their current provider. ➤ Putting in place a GPL process, consumers would not need to contact their existing provider unless they wished to, regardless of whether they wished to port their number. The gaining provider would coordinate the switch, helping to facilitate a more seamless transfer of service.
The switching process itself should be	Fixed phone and broadband switches take 10 working days, if the process is led by the gaining provider. The

Switching Principles – Telecoms

<p>quick, at an agreed date</p>	<p>timeframe incorporates process steps to ensure that the switch happens safely, with protection of the customer against slamming⁵. The need for physical work on the connection to affect the switch also adds some necessary time to the process.</p> <p>Mobile phone switches take 1 business day if the customer wishes to keep their phone number. If they are changing their number, the time taken varies.</p> <p>For TV subscriptions⁶, there is no set time for the process to take place, although with triple play bundles from Talk Talk and BT, consumer needs to take Broadband to get the pay TV service so if you cancel Broadband then the pay TV service also gets cancelled</p>
<p>Consumers should have access to their consumption or transaction data. This should be in a format that can be easily reused (e.g. “midata”) and they should be able to authorise third parties such as comparison sites to access their data to help them to switch</p>	<p>Data in an easily accessible format, reusable by third parties is not currently available. Consumers can see their usage via their online accounts with their providers. There is no requirement for data to be capable of use by intermediaries, although commercial examples of this do exist – e.g. BillMonitor for mobile price comparisons</p>
<p>Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results</p>	<p>Ofcom currently has six accredited members of the price comparison scheme –, BillMonitor, broadbandchoices.co.uk, SimplifyDigital, Cable.co.uk, Broadband.co.uk and MobilePhoneChecker.co.uk.</p> <p>Billmonitor and MobilePhoneChecker.co.uk compare mobile phone deals, broadbandchoices.co.uk; Simplifydigital & Cable.co.uk compare landline, TV and broadband services, while Broadband.co.uk compare broadband and landline deals.</p> <p>A prerequisite of accreditation is that the ‘default’ presentation of results is based on first year costs – so the cheapest offer should come first, unless the customers opts to have results presented on an alternative basis</p>
<p>There should be an effective process for consumers to get redress if anything goes wrong in the switching process</p>	<p>Consumers have mandatory access to alternative dispute resolution (ADR) when they are not satisfied with redress from their previous or new supplier</p>

⁵ The practice of switching a customer from one phone provider to another without the customer’s authorisation

⁶ Some Over-the-top services (where content is streamed over the internet to any device capable of receiving such content, or to a compatible web browser) will work differently. e.g. Netflix and Amazon Prime Instant (formerly LoveFilm) which consumers can use to access a back catalogue of movies.

<p>Switching should be free to the consumer, unless they are aware of and have consented to fair and reasonable restrictions and charges to do so.</p>	<p>The Current Account Switch Service (CASS) launched in September 2013. CASS is a free-to-use service designed to make it quicker and easier for customers to switch current accounts.</p>
<p>The switching process should be led by the organisation with most interest in making the switching process work effectively – the gaining provider.</p>	<p>Switching for current accounts is gaining provider-led – the process is managed by the customer’s new bank.</p>
<p>The switching process itself should be quick, at an agreed date.</p>	<p>Switching current accounts includes the automatic transfer of standing order and direct debits. The process takes seven days on a date chosen by the customer.</p>
<p>Consumers should have access to their consumption or transaction data. This should be in a format that can be easily reused (e.g. “midata”) and they should be able to authorise third parties such as comparison sites to access their data to help them to switch.</p>	<p>Midata is a free service that enables customers to access and download detailed usage data in a machine readable format. As of August 2015, many of the larger banks provide midata. Price comparison website GoCompare uses midata to give customers detailed comparisons of the best personal current account for them based on how they use their bank account. This helps support competition by empowering customers to make more informed decisions about how they like to bank and with whom.</p> <p>At Budget 2015 the Government announced its commitment to deliver an open standard for Application Programming Interfaces (APIs) in UK banking. An open API standard allows financial technology companies to connect directly with a customer’s bank (with the customer’s explicit consent) to provide a range of seamless value-added services. As well as helping customers engage more with their bank, it will also drive innovation and increase competitive intensity by supporting the growth of technology that can be used by banks and non-bank providers to offer new products and comparison services. The Government will set out a detailed framework for the design of the open API standard by the end of 2015.</p>
<p>Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results.</p>	<p>For current accounts most comparison sites simply display the available products and link to supplier websites.</p>
<p>There should be an effective process for consumers to get redress if anything goes wrong in the switching process</p>	<p>CASS is backed by the Current Account Switch Guarantee where the customer is fully protected against any financial loss incurred if something goes wrong during the switch.</p>

<p>Switching should be free to the consumer, unless they are aware of and have consented to fair and reasonable restrictions and charges to do so.</p>	<p>The switching process is generally free.</p>
<p>The switching process should be led by the organisation with most interest in making the switching process work effectively – the gaining provider.</p>	<p>All switching is gaining provider led.</p>
<p>The switching process itself should be quick, at an agreed date.</p>	<p>Changes made to industry processes at the end of 2014 mean that it is now possible for a switch to be completed in 2 weeks and 3 working days, including the 14 day cooling off period in case consumers change their mind. Suppliers also have to update their own systems to be able to offer this to a new customer and more than half of domestic suppliers (representing over 95% of the market) have already done so.</p> <p>In February 2015 Ofgem published its decision, following consultation, to move ahead with proposals to lead a programme to radically overhaul switching arrangements in the energy market to enable faster, more reliable switching. As a result of these reforms, customers may potentially be able to request to change energy supplier and be with their new supplier the next day.</p>
<p>Consumers should have access to their consumption or transaction data. This should be in a format that can be easily reused (e.g. “midata”) and they should be able to authorise third parties such as comparison sites to access their data to help them to switch.</p>	<p>From July 2015 suppliers are required to put machine readable images (QR codes) with personalised energy data on bills to enable consumers to compare deals and switch with a couple of clicks on their mobile phone and comparison sites have developed apps which utilise this.</p> <p>A voluntary agreement is in place with the largest 7 energy suppliers to provide midata files to download from online accounts. DECC are now working with industry to allow third parties (such as switching sites) automated access to this key energy data, with consumers consent, as soon as practically possible.</p>
<p>Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results.</p>	<p>The Confidence Code (administered by Ofgem) is a voluntary agreement governing PCWs’ business practices and interactions with consumers. There are currently 12 sites accredited under the Code and there is an Ofgem Confidence Code accreditation logo which accredited sites feature.</p> <p>The Code is intended to assure consumers that they will receive independent, reliable, accurate and transparent information when comparing tariffs. In March 2015 Ofgem strengthened the code to prohibit sites from defaulting to only those tariffs for which they would earn commission and to improve transparency around sites’ commission arrangements.</p>
<p>There should be an effective process for consumers to get redress if anything goes wrong in the switching process</p>	<p><u>Ombudsman Services: Energy (OS:E)</u> is a free independent scheme set up to investigate complaints from domestic consumers that the energy company cannot resolve (after eight weeks or deadlock). OS:E can require the company to correct the problem, apologise, explain what happened, and make a financial award. Its decisions are binding on the energy company but not the consumer.</p>

Annex C: Analytical Review

Summary of consumer switching evidence note

Introduction

This analytical note brings together and summarises existing evidence on consumer 'switching' providers of services. There is a considerable body of evidence on consumer switching in the UK across various sources, including government, regulators and industry itself. This note will show the main issues with consumer switching in the UK and collate existing evidence on the areas covered by proposed 'switching principles'. The note is in three parts: the first sets out evidence on the main issues with consumer switching, the second highlights evidence on the proposed principles to improve the switching process and the third part summarises recent and more general research on consumer attitudes and behaviour and with relevance to the switching process.

Summary of findings:

Switching is one possible outcome as part of a consumer decision-making journey. Consumers on this journey go through several stages, they 'Engage', 'Assess' and then 'Act'. Factors such as barriers and problems with the switching process prevent consumers from taking this journey. Consumers face other barriers from understanding information, low capacity in some groups, behavioural biases and the perceived benefits to switching being low. Together these factors may explain the switching rates in the UK, along with those across the EU. This impacts on markets, as lack of consumer switching has a detrimental effect on competition. Consumer perceptions give an indication of why consumers don't switch. They also indicate the problems with the switching process and how consumers view the 'ease of switching'.

Evidence on the proposed switching principles shows:

- Wider economic evidence on switching costs suggests making switching free for the consumer should benefit consumers.
- Gaining provider led switching improves the experience for consumers.
- Transparency is an issue with price comparison websites for the majority of non-users.
- Consumers value access to their own transaction data in a clear format. Some currently find it difficult to find and understand.

Pulled together, the evidence shows that, whilst there are many factors which deter consumers engaging with the market, and the reasons can be complex, the ease or difficulty of the actual process of switching, and consumer perceptions of that ease or difficulty, are clear factors in the consumer's decision on whether or not to engage.

Part 1: Evidence on the issues with switching

1. The switching journey

The UK Regulators Network (UKRN) have identified three stages in a consumer's decision making and switching journey⁷, any of which could create barriers or opportunities for consumers to make empowered decisions and drive competition in the market. These are: 1. Engage; 2. Assess; and 3. Act. The definitions for these stages are:

1. Engage: An engaged consumer is aware that they have a choice of product, service and provider and is willing to consider the alternatives available.
2. Assess: To make informed decisions, a consumer must be able to assess which product, service or provider best satisfies their needs. For this they need access to trusted and comprehensive information, an understanding of their own likely consumption pattern, and the ability to make comparisons.
3. Act: To exercise their choice, a consumer must be able to purchase the product or service which they have assessed as best satisfying their needs.

There are a large number of issues which can make it difficult for consumers to engage, make effective assessments and act to change their provider. The UKRN categorises these factors in to three key consumer areas:

- awareness of choice.
- attitude towards the market and the likely outcome of engagement.
- ability to make assessments and take action to switch.

The UKRN analysis brings together the consumer decision-making journey and key consumer factors. This is used to analyse available evidence in various sectors including Communication, Energy and Banking. It identifies a total of twelve factors that may act as barriers to consumers engaging, assessing and/or acting across our sectors. Some of these barriers are common to all sectors, others particular to one or two. The five key barriers common across all the sectors are:

1. Barriers to and problems with switching processes – These include contractual (e.g. early termination charges), operational (e.g. contacting current provider, lack of portability and interoperability), transitional (e.g. loss of service) and eligibility problems (e.g. credit ratings).
2. Difficulties understanding information – Key drivers include product/tariff complexity, a lack of transparency and consistency around product/tariff features and a lack of familiarity with them.
3. Perceived benefits are low and/or costs are high – A perception that either the benefit from engaging in the market is low and/or the costs are high in terms of the time and effort involved and the likelihood of something going wrong.
4. Lower levels of capability or capacity amongst some groups – The least engaged and active consumers are also often the most disadvantaged and vulnerable.
5. Behavioural biases affect consumer behaviour and decision making. For example, preferences for immediate gratification, the default option or avoiding losses can lead to sub-optimal decision making or inertia from consumers.

2. Switching rates – by sector

Table 1 gives the switching rates for key services: Gas, Electricity, Bank Accounts, Mobile, Fixed-line, Broadband and Digital TV (i.e. the markets covered by the principles). This shows the number of consumers who switched provider in the last five years.⁸

⁷ This framework is produced by UKRN (based on work by the OFT), from the UKRN statement on Consumer Engagement and Switching. <http://www.ukrn.org.uk/wp-content/uploads/2014/12/Statement-Consumer-engagement-and-switching.pdf>

⁸ http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-14/TCE14_research_report.pdf source data from Ofcom Switching Tracker based on a survey where consumers are asked if they have switched over the last 12 months, for each year from 2010-2014, July - August 2014 Base: All adults aged 16+ who are the decision-maker for fixed-line (2014,1736), mobile (2014,1679), fixed broadband (2014, 1464), digital TV (2014,1723), electricity (2014,1728), gas (2014,1465), car insurance (2014,1421), bank account (2014,1899). Although other estimates do exist, the Ofcom Switching Tracker gives a good estimation of consumer switching across multiple sectors, using one methodology. Other sources of switching rates include the EU survey data Eurobarometer. Taking the other sources of switching rates together gives a range for switching rates in 2013: Energy 11-13%, Fixed-line phone 8-9%, Mobile phone 9-11%, Digital TV 3-7%, Broadband 9-13%.

Table 1: Proportion of consumers who have switched services as a percentage of all customers in that 12 month period

	Electricity	Gas	Bank Accounts	Fixed line	Mobile	Broadband	Digital TV
2014	12%	12%	3%	6%	7%	6%	2%
2013	12%	12%	5%	9%	11%	9%	3%
2012	13%	12%	4%	10%	9%	9%	3%
2011	17%	15%	2%	8%	9%	7%	3%
2010	15%	15%	3%	9%	9%	10%	4%

Looking at Telecommunications services, Fixed-line, Mobile and Broadband, the proportions of consumers switching providers has fallen since 2010. In fact, the number of consumers a) considering a switch, b) comparing provider, and c) actually going on to switch, have all declined recently. In the 12 months to July 2014, 13% switched at least one communications service, down from 20% in 2013 and 19% in 2012. Mobile switching rates also reduced over the last year. The reasons for the fall are unclear and this is something Ofcom will continue to monitor moving forward.⁹

Energy services, Gas and Electricity, had a steady upwards trend in switching until 2008 followed by a decline, to levels below those in 2003. There are a number of potential reasons for this, including the prohibition of regional price discrimination in 2009 and the decision by suppliers (in particular, the Six Large Energy Firms) to stop doorstep selling in 2011 and 2012. There was a very noticeable spike in switching towards the end of 2013, which may have been due to the high level of public attention surrounding energy prices at that time.¹⁰

Personal current accounts have low switching rates compared to other services, including other financial services. The 3% switching rate for Bank Accounts in 2014 is lower than the 15% for Easy Access Savings Accounts. It is also lower than the switching rate for Credit Cards where estimates range from 7-20% (FCA).¹¹ For comparison of a service with high switching rate, Car Insurance has switching rates of 33% in 2014. The switching rates for Digital TV are the lowest of all these sectors over the period and have fallen in the period from 2010-2014.

3. EU comparisons - switching rates and ease of switching

Table 2 shows the UK ranking against other EU countries with regard to consumer switching rates in certain key sectors. The evidence for this comes from the EU Market Monitoring survey which tracks consumer conditions in 52 consumer markets across the EU 28 Member States, Norway and Iceland.¹²

⁹ Ofcom Consumer switching: consumer experience of switching mobile communications services and options for process reforms <http://stakeholders.ofcom.org.uk/binaries/consultations/mobile-switching/summary/consumer-switching.pdf>

¹⁰ CMA Energy market investigation: summary of provisional findings report https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/442500/EMI_PFs_Summary.pdf

¹¹ FCA <https://www.fca.org.uk/static/documents/research/making-current-account-switching-easier.pdf>

¹² EU survey data Eurobarometer

http://ec.europa.eu/consumers/consumer_evidence/consumer_scoreboards/market_monitoring/docs/dash2.swf. Note this survey data is not comparable over time as the wording of the market definition is slightly different between 2010 and 2011, 2012. Ranking is out of 30 counties for all services except Electricity (out of 23) and Gas (out of 27). Eurobarometer uses 'Internet provision' rather than 'Broadband'.

Table 2: UK ranking of service switching rates in the EU

	Mobile	TV	Bank Account	Fixed line	Broadband	Electricity	Gas
UK Ranking	22nd	21st	15th	14th	11th	6th	6th

The UK ranking for switching rates shows variability by sector, with UK consumers most likely of all EU consumers to switch Car Insurance, and 21st most likely for Paid for TV. Car insurance is the only service for which the UK is in the five highest ranking of EU countries. Belgium comes 1st for Gas and Electricity and 2nd for Broadband. Bulgaria is in the five highest ranking counties, in five out of the eight key services. This implies switching rates in some countries are consistently high across sectors. It is important to note that higher switching rates do not necessarily imply a well-functioning market. Much will depend on what is driving the switching. For instance it has been proposed that a reduction in energy supplier switching rates followed the big 6 suppliers' decision to stop doorstep selling in 2011 and 2012. This shows that although increasing switching rates is mostly positive for consumers and markets, there are instances where this is not the case.

As table 2 shows, the UK ranking varies across the different Telecommunications services. Currently, most other countries have higher switching rates for Digital TV and Mobile. The five highest ranking EU countries for Mobile are Denmark, Spain, Italy, Belgium and Finland, and the five highest ranking for Digital TV are Iceland, Bulgaria, Norway, Portugal and Denmark.

The EU Market Monitoring survey also measures the ease of switching across countries and sectors, by asking consumers how easy they view switching service provider. On this measure the UK ranks below the EU average for five of the eight services, apart from Car insurance which is 5th, Gas 8th and Electricity 13th. The ease of switching ranking for Fixed-line is 19th, Mobile 20th, Bank Account 22nd, Broadband 23rd and Digital TV 24th.

4. Consumer perceptions of the switching process

Switching trends suggest that consumer perception about how easy it will be to switch is as important as how easy the process is in reality. For example, Car Insurance is the sector with the greatest perception of ease of switching with 95% finding switching very or fairly easy. Car insurance also has the highest switching rate of all sectors. However, whilst 90% of those switching Bank Accounts found it very or fairly easy (a figure similar to that for Car Insurance) when they actually switched, switching rates are considerably lower than the Car Insurance sector.

Those customers who have never switched perceive switching to be more difficult than those who have. Table 3 shows differences in opinions about how easy it is to switch between those who have and have not switched.¹³

Table 3: Consumer opinions about ease of switching supplier, by consumers who have switched and never switched

% very or fairly easy	Digital TV	Mobile	Fixed line	Broadband

¹³ <http://www.ukrn.org.uk/wp-content/uploads/2014/12/Statement-Consumer-engagement-and-switching.pdf> Original source Ofcom, The Consumer Experience of 2013, January 2014, p138-142

% very or fairly easy	Digital TV	Mobile	Fixed line	Broadband
Have switched	92%	90%	89%	85%
Never switched	66%	76%	59%	67%

5. Experience of the switching process

Beyond perceptions many consumers do experience problems with the actual process. For example, when prompted to recall their experience, around half of switchers in each of the communications markets said they had experienced difficulties. These varied by service, ranging from 'provider persuasion to stay', 'arranging start and stop times', 'temporary loss of service', 'provider sending bills for cancelled service', to 'technical issues' and problems 'keeping phone number/email'.¹⁴

Transitional issues can create problems when a consumer switches services; these include arranging for services to start and stop at the same time, loss of service and billing errors. For those switching current accounts, as recently as 2012 the OFT found 25% experienced some form of loss of service through misplaced direct debit. While this should now have been addressed by the 7 day switching guarantee, this problem does illustrate the problems that can occur without co-ordinated activity. In Energy 13% of those who switch or try to switch experience a problem, with 45% of these problems related to not receiving a closing bill from their old supplier. There can also be operational issues, such as portability problems; having to change telephone number was experienced by 13%, having to change email address by 10% and problems moving content by 12%.

Further frictions with the switching process may come from contractual barriers and eligibility issues. Contractual barriers can affect many consumers. At least 60% of consumers who considered switching across the Communications providers mentioned contract terms as a reason for not switching, with at least 40% of these citing cancellation charges as the underlying cause. Eligibility issues often affect the most disadvantaged customers. These mean some customers are unable to switch or have the belief that they are unable to switch. Reasons for this include being in debt to their current supplier, access to internet or bank accounts, or other circumstances such as housing tenure, e.g. a clause in a lease may prohibit energy supplier switching without the landlord's consent.¹⁵

6. Competition effects

A competitive market is key to keeping prices as low as possible, driving innovation and improving customer experience. Strong consumer engagement and a willingness to switch is an essential component of a competitive market.

Conversely barriers to switching leading to low consumer engagement can lead to less competitive pressure in a market and supplier behaviour which may not benefit consumers. The failure of consumers to engage in a market can give suppliers market power over this inactive customer base which suppliers can use to charge higher prices. In energy for instance, some firms price discriminate by pricing their default standard variable tariff at a higher level. And in sectors such as telecoms, many suppliers adopt complex pricing policies which can encourage inactivity and act as barrier to switching. Weak customer response is more likely amongst those that are more likely to be disengaged (e.g. the elderly, or have relatively low levels of income).

¹⁴ <http://www.ukrn.org.uk/wp-content/uploads/2014/12/Statement-Consumer-engagement-and-switching.pdf>

Original source: P140 http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-13/TCE_Research_final.pdf

¹⁵ <http://www.ukrn.org.uk/wp-content/uploads/2014/12/Statement-Consumer-engagement-and-switching.pdf>

These competition effects can occur in any market with a weak customer response¹⁶.

7. Non-process switching issues

Price

The price difference between services needs to be of sufficient value to encourage customers to switch. This price difference needs to be more than the consumers switching costs, including economic costs such as the time consumers spend assessing alternatives and arranging a new provider. For Energy services the CMA calculate that the average customer could save £160 per year switching from 2012 to 2014.¹⁷ However the median amount stated by consumers as the minimum saving they would switch for was £240 per year.¹⁸ This suggests that current available savings from switching provider is lower than the amount consumers require to switch provider.

Trigger events

Trigger events prompt consumers to engage with the market and review the relationship with their current provider. Notification of the end of a contract term is a key trigger (e.g. reminders about annual insurance renewals) and is notably absent from many sectors. For instance 25% of Fixed-line customers did not know when their contract ended. Trigger events include:

- Exposure to marketing materials and promotions
- Being advised of/aware that an existing contract period is ending

¹⁶ For instance in the energy market, the Competition and Markets Authority (CMA) Provisional Findings from their investigation into the energy markets (see footnote 11) identified weak consumer response as having a potential adverse effect on competition. The CMA also identified a range of factors that may be driving this and these are summarised below:

(a) Customers have limited awareness of and interest in their ability to switch energy supplier, which arises in particular from the following fundamental characteristics of the domestic retail gas and electricity supply markets:

- the homogeneous nature of gas and electricity which means an absence of quality differentiation of gas and electricity and which may fundamentally affect the potential for customer engagement in the markets; and
- the role of traditional meters and bills, which give rise to a disparity between actual and estimated consumption. The full roll-out of smart meters over the next five years may have a potentially significant positive impact on engagement, although there is limited evidence concerning the likely magnitude and timescales of any such impact.

(b) Certain customers face actual and perceived barriers to accessing and assessing information arising, in particular from the following aspects of the domestic retail gas and electricity markets:

- the complex information provided in bills and the structure of tariffs, which combine to inhibit the value-for-money assessments of available options; and
- a lack of confidence in, and access to, price comparison websites by certain categories of customers. The CMA note that alternative forms of third party intermediaries, such as collective switching schemes, may become increasingly important for such customers.

(c) Customers face actual and/or perceived barriers to switching, such as where they have uncertified meters or experience erroneous transfers which have the potential to cause material detriment to those who suffer from them. Erroneous transfers may thereby impact customers' ability to switch as well as their perception of switching. This is again an area where the introduction of smart meters should in time help bring improvements.

(d) Prepayment meters, which place technical constraints on customers and reduce customers' ability and incentives to engage in the market and search for better deals. These problems will also partly be addressed with the full roll-out of smart meters.

¹⁷ CMA Energy market investigation: summary of provisional findings report

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/442500/EMI_PFs_Summary.pdf

¹⁸ <http://www.ukrn.org.uk/wp-content/uploads/2014/12/Statement-Consumer-engagement-and-switching.pdf> original source:

Ofgem, TNS BMRB Retail Market Review Baseline Survey July 2014, p13

- An event leading to dissatisfaction with a current product or provider
- Desire for a new product or service (e.g. faster internet speed or new mobile handset)

Bundling

Bundling is where consumers take multiple services with the same provider, an example being Telecommunications customers taking triple-play (TV, Fixed-Line, Broadband) or quad-play (triple-play plus Mobile). Bundling means that consumers may need to navigate different contracts (or some aspects of the contract may not be fully specified) and the consumer then finds themselves tied into that provider for the duration of their contract for all related communications services, and so unable to take advantage of better offers on elements of their bundle elsewhere, or unable to disaggregate the relative value for money of one of the specific items within the package. The UK is slightly above the EU average for ease of comparison for services/prices in bundles. The EU countries which score highly for ease of bundle comparisons are Greece, Slovakia, Bulgaria and Italy.¹⁹

Evidence of bundling issues comes from research showing of consumers who have switched at least one of their communications services, only 8% switched three services at the same time²⁰. There have been recent falls in Telecommunication switching rates with Fixed-line and Broadband products dropping 3 percentage points to 6% in 2014. Energy switching rates remained broadly stable. Ofcom suggest bundling could become an increasing important issue in consumer switching.

Part 2: Evidence on the switching principles

8. Free switching for the consumer

Consumers who switch providers face various costs when switching that are not incurred by remaining with the current provider. There are several types of switching costs including transaction costs, compatibility costs, learning costs, contractual costs, equipment costs, uncertainty costs, psychological costs, shopping costs and search costs. The 'free switching to the consumer' principle relates to the financial costs only, such as customers being charged exit fees as a penalty for leaving contracts. Although the financial switching costs are less general than the wider economic switching costs experienced by consumers, the literature does give an indication as to how these financial switching costs affect markets.

The literature suggests that although outcomes depend on assumptions, overall the academic literature's position on switching costs is that "on balance switching costs seem more likely to increase prices" because consumers are put off by the costs and so don't engage, reducing competitive pressures on providers. This means consumers have reduced welfare, as providers do not compete aggressively for new customers because they make profits of existing customers. This conclusion takes into account not from only the theoretical literature, but also the empirical literature that often lends support to the view that switching costs dampen competition."²¹

Evidence from two comprehensive surveys on switching costs by NERA (2003), Farrell and Klemperer (2007) suggests switching costs affect the structure of prices, level of prices extent of new entry and expansion level of consumer welfare and industry profits. Their findings are summarised below:

¹⁹ http://ec.europa.eu/public_opinion/archives/ebs/ebs_414_en.pdf 'Please tell me whether you agree or disagree with each of the following statements: you can easily compare the services and prices offered by your current bundle with other bundles offered'

²⁰ http://stakeholders.ofcom.org.uk/binaries/consultations/dcr_discussion/summary/digital-comms-review.pdf Original source: Ofcom Switching Tracker, July-August 2014, Table 255:

http://stakeholders.ofcom.org.uk/binaries/research/statistics/Switching_Tracker_2014.pdf

²¹ <http://stakeholders.ofcom.org.uk/binaries/consultations/mobile-switching/summary/consumer-switching.pdf>

A. Structure of prices

With the existence of switching costs, firms want to keep their current consumers as they have a higher value for the firm than would be the case without switching costs. As existing consumers become 'locked-in', meaning firms offer initial low prices, introductory offers, to guarantee a future stream of revenues. This 'low' introductory then 'high' subsequent cost structure is inefficient as it "distorts buyers' quantity choices" and "gives consumers wrong signals about whether to switch."²²

B. Level of prices

The impact of switching costs depends on the level of maturity of the market. In growing markets, the presence of new customers is likely to intensify competition and result in lower price levels, whilst in markets approaching maturity there may be greater concern about higher average price levels at a given point in time. In the presence of switching costs and no price discrimination between existing and new consumers, a firm's market share will have a key influence in determining whether it will set higher prices than its rivals. However when firms are able to perfectly segment the market and price discriminate between 'existing' and 'new' consumers, market shares no longer have an influence on firms' prices resulting in all firms generally charging lower prices to new consumers compared to existing consumers.

C. Extent of new entry and expansion

Switching costs generally make entry into a market more difficult because entrants must persuade consumers to incur switching costs in order to grow their customer base. However, high switching costs can encourage entry at the fringes. If firms cannot price discriminate or if there is a strategic constraint on the price differential between new and existing consumers, incumbents with a large customer base will likely opt for 'harvesting' their customer base and not engage in competition for new consumers. This implies that new entrants can specialise in acquiring new consumers and grow "under the umbrella" of the incumbents. Switching costs may thus create stable market competition where small players tend to progressively grow and large players progressively shrink. However, where price discrimination between new and existing customers is possible the barriers to entry are higher since the incumbent can offer a low price to new customers whilst also 'harvesting' their existing customer base. This makes it harder for new entrants to win new customers.

D. Level of consumer welfare and industry profits

Switching costs can have a negative impact on competition because they arguably prevent consumers from exercising one of the most effective market disciplining devices though their ability to switch providers. However, some findings from the academic literature suggest an alternative view as a complete assessment of the effects of switching costs on profits and consumers' surplus should take into account prices over the lifecycle of the products. It may be possible that the *prices over the lifecycle of the product* may not be higher than those that would apply in the absence of switching costs. However this idea that ex ante competition for consumers may compensate for higher prices ex post relies on the implicit assumption of an efficient transfer of profits between periods.

9. Gaining-provider led switching

The provider consumers need to contact as part of the switching process has implications for the consumer experience. Different switching arrangements can be classified into three categories:

1. Gaining Provider Led (GPL) - Where consumers must contact the supplier they wish to switch towards.
2. Losing Provider Led (LPL) - Where a consumer wishing to switch must contact the losing provider.

²² <http://stakeholders.ofcom.org.uk/binaries/consultations/consumer-switching/summary/switching.pdf> Original source: Farrell and Klemperer (2007, ibid)

3. Cease and re-provide (C&R) - Where there are no agreed switching processes in place that enables transfer of services between providers. The consumer terminates their contract with the Losing Provider, requests a new service from the Gaining Provider and coordinates the stopping and starting of the old and new service themselves.

GPL is the only switching arrangement which provides an incentive to the provider to make the arrangement as quickly and efficiently as possible. Conversely, the LPL process requires the consumer to liaise with a provider that has little incentive to make the switch happen. This can result in delays, increased costs and sometimes unwarranted pressure on the consumer to stay with that provider. GPL processes generally involve fewer touch-points for the consumer than C&R or LPL processes. All else being equal, the total time involved by the consumer may therefore be expected to be shorter under a GPL process.

As all three processes exist across the Telecommunication sector, evidence is available in these sectors on the benefits to GPL-switching processes compared to the operational issues cause by C&R or LPL. Mobile switches are C&R or LPL (using the PAC system) and the most frequently reported difficulties were in relation to the provider persuading them to stay (11%), a temporary loss of service (10%), the process taking longer than expected (8%); technical issues (8%), difficulties in contacting the provider to cancel a service (7%) and keeping their phone number (7%). Moreover, elsewhere the research shows that 13% of those who considered but didn't switch their mobile service cited 'hassle' as a reason.²³

Ofcom also considered available evidence on GPL, C&R and LPL, across various Telecommunication services, Fixed-Line, Broadband and Mobile. Of particular interest are switchers within BT Openreach who had experience of switching under GPL and LPL. The evidence suggests GPL provides the consumer with the best experience. For example, 60% of GPL switchers rated the process as 'very easy', compared to around 32% to 41% of switchers under LPL and C&R, respectively. Among mobile switchers, 17% of those who used the LPL PAC process found it difficult, as did 6% of those who followed a C&R arrangement. Consumer switching using GPL processes also experienced a lower incidence of all switching issues than switchers using other processes.²⁴

10. Price comparison sites transparency

There are high levels of trust in price comparison websites among those who have used them, with 94% considering it to be either very/fairly reliable. Only 5%, say they consult more than one comparison website because they don't trust the results and 7% state lack of trust as a reason they had stopped using price comparison websites.²⁵

However there is evidence that a lack of trust may be a barrier to greater use of price comparison websites by the general population.²⁶ Increasing trust in price comparison website could help the 59% of consumers with at least a minor difficulty in 'comparing offerings'.

Trust in price comparison websites also varies by service. Research by the OFT found consumers trust price comparison websites for Energy, Travel and Insurance (most commonly Car, Home and Travel), but regard them as less reliable for other financial products, Mobile and Media.²⁷ These results are similar to

²³ <http://stakeholders.ofcom.org.uk/binaries/consultations/mobile-switching/summary/consumer-switching.pdf> Original source: The Consumer Experience of 2014: http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-14/TCE14_research_report.pdf

²⁴ <http://stakeholders.ofcom.org.uk/binaries/consultations/mobile-switching/summary/consumer-switching.pdf>

²⁵ <http://www.ukrn.org.uk/wp-content/uploads/2014/12/Statement-Consumer-engagement-and-switching.pdf> Original source: Consumer Futures, Price comparison websites: consumer perceptions and experiences, 2013, p48

²⁶ <http://www.ukrn.org.uk/wp-content/uploads/2014/12/Statement-Consumer-engagement-and-switching.pdf> Original source: Firebrand Insight 'Customers in Britain' online survey

²⁷ <http://www.ukrn.org.uk/wp-content/uploads/2014/12/Statement-Consumer-engagement-and-switching.pdf> Original source: OFT, The consumer's view of the Advertising of Pricing: Final Report, Annex H, 2010

the use of price comparison websites, with Car Insurance, Home Insurance and Energy being the most used for switching services. This suggests that trust and use are related for price comparison websites.

11. An effective process for redress

According to a survey conducted early this year²⁸ 44% of consumers in the UK feel more confident in a company that offers access to a dispute resolution service. Consumers who know that there are processes in place to help them should things go wrong will feel more confident in engaging with markets. In the regulated sectors, all suppliers must be part of a certified Alternative Dispute Resolution scheme, a scheme which will be free to the consumer, and the supplier must tell the customer about that scheme.

12. Access to consumption or transaction data

In order to make effective comparisons between services consumers need to accurately know their own usage patterns. Selecting the best service offered by different providers requires this so that consumers can identify the optimal provider for their usage needs. If this information is unavailable or not easily accessible, consumers cannot make an informed choice to switch service providers and may be deterred from continuing their assessment. Difficulties in finding or assessing this information can vary by from sector to sector:

- To compare mobile phone providers, a consumer typically needs to know the tariff they are currently on and the number of voice minutes (including calls to friends and family or particular number ranges e.g. national, international or non-geographic), texts and amount of mobile data they use each month. They may also need to factor in the cost of their chosen handset and contract length as well as any applicable termination charges.
- To compare energy tariffs, a consumer needs to know the tariff they are currently on and the amount of energy they use over the course of a year, their meter type and their preference for payment method.
- To compare current accounts a consumer needs to know how much they currently pay for their current account. For example the interest rate they receive and how frequently they incur fees and charges for going into unauthorised overdrafts.

Consumers do value this information with six in ten consumers who had compared energy providers or energy tariffs looking for more information about either their existing tariff or current energy use. Of these, the majority found it quite or very easy to find the information that they wanted. However, 13% found it quite or very difficult to find information and 20% found it difficult to understand.²⁹

Part 3: Evidence on consumer behaviour

13. Consumer segmentation research

The BIS Consumer Empowerment Survey explores person-centric factors that influence consumer behaviour.³⁰ It shows the strategies different people use when selecting their utility provider, and looks for

²⁸ Ombudsman Services 'Consumer Action Monitor' January 2015

²⁹ <http://www.ukrn.org.uk/wp-content/uploads/2014/12/Statement-Consumer-engagement-and-switching.pdf> Original source: Ofgem, TNS BMRB Retail Market Review Baseline Survey July 2014, p43

³⁰ The Consumer Empowerment Survey 2015, GFK

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413511/BIS-15-208-consumer-empowerment-survey.pdf

patterns based on personal factors such as confidence, including in one's ability to achieve the outcome they are aiming for (self-efficacy), time scarcity, risk aversion, trust, and negotiation skills.

The findings show that UK consumers are on the whole able and motivated to make informed choices. Although there were some differences across different markets, 49% of consumers checked to see whether or not they were on the best deal with their service supplier in the last 2 years, 22% of customers had switched supplier and 15% had kept their current supplier and changed the tariff. For those that had not checked, 51% said they were satisfied with their current supplier, with only 19% saying this was because switching suppliers takes too much effort and 16% saying there was little difference between suppliers.

At 44%, Car insurance customers were most likely to say they have checked whether they are on the best deal and have changed supplier. Personal current accounts were least likely to say this, at 8%. 52% of those that had checked whether or not they were on the best deal had also tried to negotiate on price or on the features that were included in the deal, and in 90% of these cases the negotiation had been successful and the customer had achieved a better outcome for themselves.

To develop understanding of why some consumers may be more or less empowered, the research identified five distinct segment groups, members within each group demonstrating similar patterns of behaviour and degrees of engagement. The segments themselves were derived from respondents' answers to questions about their core attitudes, beliefs and life circumstances. The research examined how these personal characteristics affect the way people might behave as consumers, and so looked for commonalities of behaviour within different personality based groupings. The three segments with the least engagement in the market ('constrained strugglers', 'consciously unengaged', 'worried indecisives') are summarised below:

Disengaged consumers the 'Constrained Strugglers' and 'Consciously Unengaged':

Around 32% of all consumers are fairly disengaged from markets and the wider purchase process. This segment consists of two subgroups for utilities, both being much less likely than other groups to gather information, or check whether they are on the best deal, or switch supplier.

The first sub group of disengaged consumers, termed 'Constrained Strugglers' seem to be the least empowered group identified. Their issues appear to revolve around lack of self-efficacy, confidence, and trust. They are much less likely than other segments to agree that: they feel free to express their ideas and opinions (26% v 76% on average); that as soon as they see a problem or challenge they start looking for possible solutions (21% v 71% on average); or that they are able to follow through with things once they have made up their mind to do something (16% v 74% on average).

However they are not time poor, and score highly on early adoption of new products. In terms of demographics, they tend to be younger, heavily weighted towards the DE end of the social grade spectrum, more likely to be not working and / or on benefits, and therefore more likely to be in some financial difficulty (61% compared to 42% on average). Of those who had checked to see whether they were on the best deal the Constrained Strugglers (along with the Consciously Unengaged) were much less likely than other segments and the average of all segments to have used online sources and in particular price comparison websites reflecting their unwillingness to engage with the market and their lower levels of internet access.

The second sub group of disengaged consumers is termed 'Consciously Unengaged'. They generally feel free to express themselves and find solutions to life's problems. They have little difficulty in making decisions. Instead other aspects of life are more important and they would prefer not to spend their time seeking out better deals. This group tends to be older than average, with a broadly average social grade distribution. There is no suggestion that members in this group are struggling financially, or indeed that they are dissatisfied or distrusting of markets. Amongst those who had not checked whether they are on the best deal, the Consciously Unengaged were more likely than the other unengaged segment to say it

is because they are satisfied with their current supplier (56%, compared with 34% of Constrained Strugglers). They were also more likely to feel that switching takes too long and to prefer to stick with their supplier they know even if it means they are not on the best deal (52%, compared with 42% on average).

Worried indecisives:

The third segment group, around 22% of UK consumers, are more interested to engage with markets and shop around. They want to have all the information and be on the best deals, but often struggle to find the time to do so. They worry about making a wrong decision and require more trust than other groups before they are prepared to change utility supplier.

What really sets Worried Indecisives apart from other groups is the way they gather information. They will tend to look for known, trusted experts, and lean heavily on the experience of friends and family. Compared to other groups they can be uncomfortable dealing with suppliers or even individuals they do not know, and are less likely to negotiate with utility suppliers than any other group aside from the Constrained Strugglers. In terms of their demographics, they are broadly representative of the wider sample except for the fact they are much more likely to be women with families (57%) and slightly more likely to be young. They use the internet less than average, probably due to time pressures.

14. Other research on consumer behaviour

Ofcom measures participation in the telecommunications market by looking at consumers' past and present behaviour, including switching suppliers and keeping informed.³¹ The consumers are then segmented into four groups 'engaged', 'informed', 'passive' and 'inactive'. For instance, the 'engaged' consumers with a high score for both past and present behaviour may have switched previously and are currently open to the idea of a new provider. 'Inactive' consumers have a low score for both past and present behaviour, may not have switched or considered doing so in the past four years and are currently not reporting any interest in doing so. Looking at the total market level over 12 months to 2014, there were small but significant falls in engagement in all markets; down four percent in each of the fixed-line, mobile, broadband and digital TV markets.

Overall these Ofcom consumer segments show disadvantaged consumers are less likely to participate in telecommunication markets. In the fixed-line market, consumers in socio-economic group DE are less likely than those in other socio-economic groups to be engaged.³² Also consumers of digital TV in the AB (9%) and C1 (11%) socio-economic groups are around twice as likely to be engaged as their counterparts in the C2 (4%) or DE (5%) socioeconomic groups. Furthermore mobile consumers in socio-economic group DE were more likely to be 'inactive' than other groups.

The provisional findings from the CMA Energy Market Investigation also show similar characteristics for disengaged customers.³³ Results suggest that there are a material percentage of customers disengaged in domestic retail energy markets. These results also suggest that those who have low incomes, have low qualifications, are living in rented accommodation or who are above 65 are less likely to be engaged in the domestic retail energy markets against a variety of indicators of engagement. For example, 35% of

³¹The Consumer Experience of 2014 http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-14/TCE14_research_report.pdf

³² Socio-economic group (SEG) A social classification, classifying the population into social grades, usually on the basis of the Market Research Society occupational groupings (MRS, 1991).

³³ Energy Market Investigation: Provisional Findings Report

https://assets.digital.cabinetoffice.gov.uk/media/559fc933ed915d1592000050/EMI_provisional_findings_report.pdf

those whose household incomes were above £36,000 had switched supplier in the last three years, compared with 20% of those whose household incomes were below £18,000, and 32% of those with degree level qualifications had switched in the last three years compared with 18% of those with no qualifications.

The CMA also assessed the extent the gains from switching are associated with demographic characteristics. Overall the CMA findings suggest that those households - excluding prepayment customers - who are in rented accommodation, or have incomes below £18,000; or are in receipt of a Warm Home Discount rebate would make bigger savings if they switched. By implication, such customers are, on average, paying a somewhat higher price for their energy than those customers who do not fall into these categories.

Although disengaged consumers are not limited to these demographic groups, these results indicate possible reasons for inactivity and lack of engagement with markets. Had it been generally higher-income households which did not engage, it might be concluded that saving money through switching was of relatively low importance to them. However, there appears to be a higher proportion of households on lower incomes who are disengaged and inactive. This has particular importance, given the fact that expenditure on energy constitutes a high proportion of the total expenditure for the poorest households.

Annex D: List of Individuals/Organisations consulted

Attached is a list of all those who are being consulted and ask that individuals /organisations for names and others who should also receive the call for evidence.

Which?	MBNA Europe	Go Compare
Consumer Future	American Express Services Limited	Compare the market
Citizens Advice	Creation Financial Services (LaSer UK)	Council of Mortgage Lenders
Money Saving Expert	Bank of Ireland	Building Societies Association
Mumsnet	Capital one Bank	Financial Conduct Authority
Communications Consumer Soapbox Shout Resolver	Visa UK	UK Cards Association
Vodafone Limited	Mastercard UK	Lending Standards Board
Three UK	Tesco Bank	Association of British Insurers
Everything Everywhere	UK Cards	British Bankers' Association
Telefonica	Call credit	Bacs Payment Scheme Ltd
Virgin Media	Credit Group	Open Data Institute
Talk Talk	BBA	British Standards Institution
Tesco Mobile	Banklink	
Three	Moneydash	
BT	UK Payment	
Carphone	British Gas	
Mobile Broadband Group	E.on UK Ltd	
Sky	RWE Npower	
Talk Talk	EDF Energy	
Telefonica/O2	Scottish and Southern Power	
Tesco Mobile	Scottish Power Generation Holdings	
UKCTA	First Utility	
Virgin Media	Utilita	
Vodafone	Good Energy	
Lebara Mobile	Ecotricity	
Lycamobile	Co-operative	
Asda Mobile	Spark Energy	
Giffgaff	Green Energy UK	
Kcom	IoCO2	
Bskyb	Isupply	
Association for Uk	Flow Energy	
Interactive Entertainment	Better Energy Supply Ltd	
Interactive Media in Retail Group	Green Star Energy	
Tech UK	Daligas	
Cooperative Bank Plc	Economy Energy	
Barclays PLC	Energy UK	
HSBC	The Energy Shop	
First Direct	First Helpline	
Lloyds	UK Power	
Nationwide Building Society	Uswitch	
RBS/Natwest	Money Supermarket	
Santander	This is the Big Deal	
Clydesdale/Yorkshire		
Vanquis		



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