

Helping consumers to engage in communications markets – Update on next steps

27 April 2018

1.1 Communications markets offer consumers a wide and expanding array of products and services. We want consumers to be able to take advantage of the choice available, shop around with confidence, and ultimately secure the best deals for their needs – whether that means negotiating a new deal with their current provider, or switching to a new provider.

Our work programme

1.2 Many consumers benefit from the wide choice of services on offer by engaging with the market, but a significant number do not. They may not know when to review their existing deal, lack the confidence or ability to identify the best deals for their needs, and/or be deterred from taking these deals up. Consumers who do not shop around at the end of their minimum contract period typically pay higher prices than engaged consumers on new contracts featuring a price ‘discount’.

1.3 So, in July 2017, we published a Call for Inputs launching a programme of work to help us better understand why some consumers may face difficulties engaging in communications markets; and to help us identify, develop and implement solutions that help consumers to engage.¹

1.4 In our July Call for Inputs, we set out three potential reasons why some consumers may not currently engage:

- consumers do not always know when they should be reviewing their existing deal and shopping around for a new one;
- some consumers may not be confident identifying a deal or package that is well-suited to their needs; and
- there may be aspects of the terms and conditions of consumers’ contracts, or certain industry practices, that may impede consumers from leaving their current service and moving to a better deal.

1.5 We received a number of responses to our Call for Inputs and are taking these into account as we progress our work.

¹ Ofcom, *Helping consumers to engage in communications markets – Call for Inputs*, 14 July 2017, available at: https://www.ofcom.org.uk/_data/assets/pdf_file/0014/104441/call-inputs-consumer-engagement-communications.pdf

New research

1.6 We commissioned research to help us better understand why some consumers do not engage fully with communications markets (for example – explore their options, or sign up to a new deal/product with their existing or another provider), and why some do not engage at all. Today we have published the qualitative research report, and data from the quantitative research study.² We highlight some high-level findings below:³

- Our qualitative research suggests engagement in communications markets is reactive for all but the most engaged consumers. This apparent reluctance to engage proactively is, for some consumers, linked to a lack of confidence, knowledge and understanding of the market. Others are deterred by perceptions of complex deals and a lack of comparability.
- Our quantitative research indicates that a quarter (24%) of consumers are not confident they have the best deal for their needs, and 30% do not think ‘it is easy to understand the different options in the market’, rising to 40% among those aged 55+.⁴
- It also highlights confusion around the status of contractual arrangements with providers. Around one in seven (14%) consumers are unaware of whether they are within or outside of their contract; and a similar proportion (12%) say they are ‘in contract’ but lack clarity around when their contract ends.⁵ This confusion is most evident in relation to standalone pay TV services and least evident for mobile.⁶
- Furthermore, there is uncertainty among consumers about the ongoing price of their services when a contract ends. A quarter (24%) of those ‘out of contract’ do not know what happened to the price of their service when their contract ended, and 17% of those ‘in contract’ do not know what *will* happen.
- Most consumers (89% of those within contract and 82% of those who don’t know when their contract ends) agree that prior notification of the date their contract ends would be useful. Prompts such as this were spontaneously suggested as ways to support engagement, by participants in our qualitative research.
- While a minority (around 10%) of consumers ‘out of contract’ say they value being in this situation, many more are unaware of the benefits of engaging. More than half (57%) of ‘out of contract’ consumers do not know how much they could save by signing up to a new deal.⁷
- In the mobile market specifically, a quarter of customers who have a single contract for both their handset and mobile service are unaware of SIM-only deals. These deals

² <https://www.ofcom.org.uk/research-and-data/multi-sector-research/general-communications/consumer-engagement-with-communication-services>

³ In the consumer research we used the term ‘end of contract’ as this is how consumers tend to talk about the end of their ‘minimum contract period’ or ‘minimum term’. Where we refer to ‘end of contract’ or being ‘in or out of contract’ in the bullets, this refers to the respondents’ ‘minimum contract period’. Respondents’ contractual status is based on their stated responses.

⁴ Proportions citing ‘not confident’ range from 16% in the mobile market to 28% for triple play, and proportions disagreeing that it is ‘easy to understand the options’ range from 27% for mobile to 33% dual play.

⁵ These respondents stated they have ‘little or no idea about when their contract ends’, but say they are ‘in contract’.

⁶ The combined percentage of these two aspects for mobile is 15% compared to 30% for standalone pay TV and 27%/28% for dual and triple bundles respectively.

⁷ Proportions not knowing the level of achievable savings varies by market from 42% for mobile (which includes those on SIM only 30-day packages) to 68% for standalone pay TV and 59% and 62% for dual and triple bundles respectively.

could save them money once their minimum contract period has ended, if they continue to use their existing handset.⁸

Next steps

- 1.7 We have decided to phase our work on consumer engagement. Initially, we are focusing on “end of contract notifications” – whereby providers would proactively inform customers when they are approaching or are at the end of their minimum contractual term. We aim to consult on proposals in July 2018 and will publish more detailed analysis of our quantitative research along with this.
- 1.8 Our current work also includes looking at the issue of mobile customers continuing to pay the same price after the end of their minimum contract period, where the price reflects the cost of their mobile handset. We are considering appropriate next steps and engaging with mobile providers on this.
- 1.9 This initial phase will be followed by a second phase of work, which will consider whether some consumers may:
 - have difficulties understanding their own needs and usage requirements; and/or
 - struggle to understand or navigate the range and complexity of deals and packages on offer.

⁸ Analysis from Ofcom’s Switching Tracker 2017, found 6% of mobile customers who purchased a package that included a handset were out of contract but continuing to pay the same monthly charge.