



Consumer switching in mobile

A summary introduction to our consultation on switching and process reforms.

28 July 2015

Improving switching experiences for mobile customers

- 1.1 Central to Ofcom's work is ensuring that communications services and markets work well for consumers and citizens. Enabling consumers to make good, well informed choices and act on them is a key part of this.
- 1.2 Quick and easy processes when switching provider are very important to consumers' experiences of switching, as well as to healthy competition.
- 1.3 Consumers should feel encouraged to take advantage of the best services available to them and be confident they can switch to a new provider without unnecessary hassle or risk. If they can't - or they are put off even attempting to do so - their ability to benefit from the market is reduced, and competition suffers too.
- 1.4 Ofcom has been studying consumers' experiences of switching from one mobile provider to another. Our full report, which includes some initial high-level options designed to improve switching processes, is available here: <http://stakeholders.ofcom.org.uk/consultations/mobile-switching/>
- 1.5 This document gives a basic summary of our findings and thinking to date.

The gaining provider leading the process

- 1.6 In 2010 we published our Strategic Review of Consumer Switching¹ across communications services. In it we said that, in principle, we preferred a switching process that is led by the 'gaining provider' - the provider that the customer is moving to - since they have every incentive to make sure the process works well. We call this a 'Gaining Provider-Led' process (GPL), and said we would aim to put this in place where appropriate, taking into account the costs and benefits of changes in each case.
- 1.7 A single GPL process for voice and broadband services was duly implemented between providers on the Openreach and KCOM copper networks. We are now focused on other networks and services, and in 2014 invited stakeholders' views on switching between mobile providers, and providers of 'triple play' services (voice, broadband and pay TV).
- 1.8 The responses we received, together with other evidence, suggested that we should look further into whether switching between those services could be improved.
- 1.9 Our main focus of this consultation is the processes which consumers use to switch mobile provider: we want to make sure that these help consumers to benefit from the best the market has to offer them. Our starting point is that switching processes should be quick, easy, convenient and error-free.

¹ <http://stakeholders.ofcom.org.uk/consultations/consumer-switching/>

- 1.10 However, our proposals at this stage do not drill down to specific process designs or costs. Rather, they give a high-level, indicative assessment of how some potential process reforms could reduce consumer harm, and cost estimates to implement and operate them.
- 1.11 We are keen to receive early feedback on these proposals; if we decide to pursue regulatory reforms we will consult on them at the time, having taken into account the responses we receive now and other evidence we are currently obtaining.
- 1.12 The full consultation document summarises the responses we received last year, and we also briefly explain the work we have started on switching among triple play services.

Current issues with mobile switching

- 1.13 Switching has seen a decline in recent times. The proportions of consumers a) considering a switch, b) comparing providers, and c) actually going ahead with a switch, have all reduced.
- 1.14 Across communications services generally, 13% of customers switched at least one communications service, in the year to July 2014. This was down from around a fifth in both 2013 (20%) and 2012 (19%). In mobile specifically, switching rates fell from 9% to 6%² between 2013 and 2014. The reasons for these falls are unclear, and this is something we will continue to monitor.
- 1.15 In mobile, the switching process that a consumer needs to follow depends on whether or not they want to keep their existing mobile number.
- To keep (or 'port') a number, the customer has to contact the provider they're leaving and ask for a Porting Authorisation Code (PAC). They give this to their new provider, who can then set the transfer process in motion.
 - If a customer doesn't want to take their number with them, they have to organise the stop and start of the individual services themselves.
- 1.16 Based on the evidence we have to date, we believe that the current switching arrangements are likely to generate unnecessary harm for customers. This is true whether or not they choose to port their number.
- 1.17 Although our research found that most switching consumers found the process easy³, around half had issues along the way. We also believe there are consumers who are put off the idea of switching because they have worries about the process.
- 1.18 Issues affecting smooth and accessible switching include:

² Fieldwork for these data were conducted around the time a new iPhone model was being released, which may have led some consumers to delay their purchase decision.

³ The Consumer Experience of 2014, Figure 167, Consumer opinions about ease of switching supplier: http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-14/TCE14_research_report.pdf

- **Consumer difficulty and unnecessary switching costs.** Some switching processes ask more of the consumer, and take longer, than others. For example, if the process requires the consumer to contact their existing provider as well as their new one, this can involve considerable time and hassle. The losing provider in this instance may also be inclined to frustrate the process. This can deter consumers from switching.
- **Multiple switching processes.** Where there are various processes for switching the same service, this can be a recipe for confusion.
- **Continuity of service.** Mobile switching processes require consumers to coordinate the end of their existing service with the start of their new one. In addition, consumers may need to factor in any notice period required for terminating their current contract. Some consumers also choose to subscribe to two services simultaneously, and so double-pay, rather than risk any break in continuity⁴;
- **Being unaware of the implications of switching.** Consumers may suffer harm if they don't know, or only have sketchy information, about the implications of switching. This may include liability for Early Termination Charges (ETCs) which can arise from ending a contract before the end of a minimum period.
- **'Slamming.'** This is when a consumer finds themselves switched to another provider without their consent.
- **Erroneous transfers.** These arise when the wrong asset (e.g. a mobile phone number) is switched by mistake.

1.19 We are now working with mobile providers on reforms that may help address these issues. However, we want to use this consultation to broaden the discussion so that all stakeholders have an opportunity to contribute views and evidence.

Possible process reforms

1.20 At this stage we have identified two potential reforms, and welcome your views:

- **Simplifying the process for obtaining a PAC.** If a customer wants to port their number, switching costs could be cut by removing the need to contact their existing provider verbally, online or by letter. For example, customers could simply text their provider to obtain the PAC they need, or call a number that has automated menu options.

Both facilities could be offered either by mobile providers or by a central porting system. Key information about any implications of switching, such as an outstanding contract duration and any charges payable for ending the contract early, could be provided to the consumer at the same time. Both approaches

⁴ Double-paying can also arise from long notice periods for consumers wishing to cancel a service.

would require safeguards to verify the identity of the customer. It is possible they could also be adapted for people who don't want to port their number (although we have not set out details for this in the consultation).

- **Adopting a Gaining Provider-Led (GPL) process.** This would remove the need for consumers to contact their existing provider at all, unless they wanted to, and regardless of whether they wished to port their number. This helps to address the costs of multiple touch points, and the concern for some consumers about triggering unwanted attempts by losing providers to retain their business, as part of the switching process. The GP would coordinate the switch, helping to clear the way to a seamless transfer of service, and minimising breaks in service and double-paying.

- 1.21 We believe that switching processes are best improved by the industry taking a leading role in their design, and we are currently discussing technical aspects with the mobile operators. The options we have identified at this stage build on existing processes, which should help to minimise their costs.
- 1.22 If there is general consensus on how to proceed we may establish a working group to generate, assess and implement new or amended processes. If so, we would expect to gain agreement on process change before the end of 2015, with implementation to follow. In any event, we will continue to work on the case for regulatory change to improve mobile switching processes, and to make sure these are not delayed if they are needed.
- 1.23 Some stakeholders have pointed to evidence of consumer satisfaction with switching, arguing that no further work is needed. We do not agree, for the reasons we set out in our consultation document. Alongside our ongoing work and this consultation, we are gathering further evidence on the consumer experience and how this is influenced by existing switching processes. This includes a consumer survey, as well as diary research following the experiences of people who are considering a switch and the interactions they have with mobile providers. We are also carrying out further work to consider options and likely costs of reform, as well as implementation challenges.

Next steps

- 1.24 We will publish a further document to set out our findings from this research in [spring 2016]. If the evidence points to consumer harm arising from current switching processes, we will consult on detailed processes to address it – unless voluntary reforms have been agreed meanwhile.
- 1.25 We have also launched a project to review consumers' experiences of switching triple play services. We will update stakeholders on this work as it proceeds. If this results in proposals for improvements, we expect to consult in early 2016.
- 1.26 In both triple play and mobile, our work on switching will keep a firm eye on possible market developments. This includes, for example, mass market take-up of 'quad-play' bundles of fixed voice, broadband, pay TV and mobile communications services, and the need for switching processes that can support it.

- 1.27 Ofcom is also engaged in a number of other projects to make consumer switching easier and to improve the journey. These include making sure consumers are aware of when their contract ends and possible implications of this; and initiatives to help consumers navigate the market; and an enforcement programme covering the current arrangements for cancelling and terminating service contracts.
- 1.28 **We would like your views on consumer switching in mobile, and on our initial outline proposals to reform switching processes. Please see our full consultation here: <http://stakeholders.ofcom.org.uk/consultations/mobile-switching/>**