



ANALYSING THE CONSUMER IMPACTS OF REACTIVE SAVE IN THE MOBILE SWITCHING PROCESS

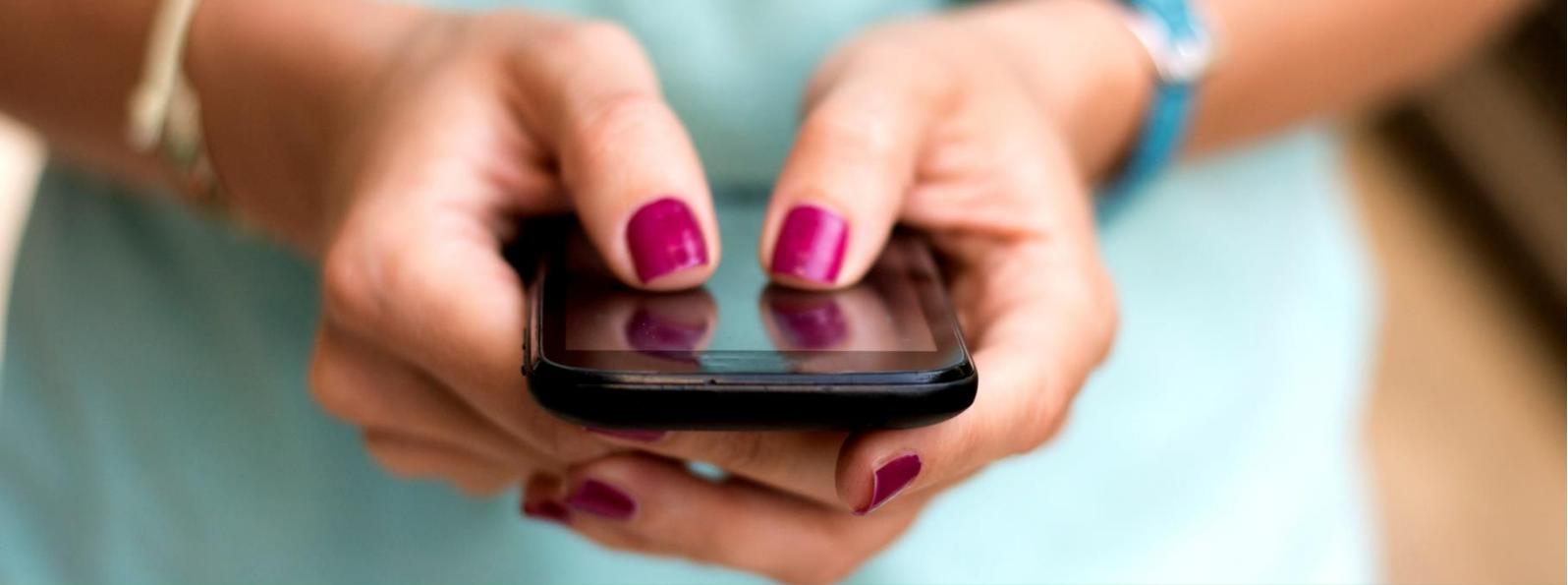
A Report for Hutchison 3G



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1. Executive summary

This report, prepared for Hutchison 3G, examines the consumer impacts of Reactive Save (whereby, in response to consumers requesting a switch, existing mobile providers can make them reactive pricing offers) in the mobile provider switching process. Based on newly developed quantitative evidence, we find that there are reasons to suppose that a ban on Reactive Save will be beneficial to consumers. Moreover, a future switching process, whereby Reactive Save is “optional” for consumers, is unambiguously beneficial.

1.1 Background to our study and scope of work

Ofcom is proposing a package of reforms intended to improve the switching process for mobile customers. This includes the implementation of Auto Switch – a process by which customers would request and receive their PAC by text message or through their online account. Ofcom’s analysis suggests that its reform package will bring a number of consumer benefits, including the reduction in unnecessary time and hassle associated with the existing switching process, whereby customers typically call their losing provider to request their PAC.

In its response to Ofcom’s most recent consultation on this matter, however, Hutchison 3G has argued that Ofcom should, in addition, limit Reactive Save – the process whereby a customer’s existing mobile provider offers the customer an improved offer in an attempt to prevent the switch. In particular, Hutchison 3G has put forward three potential solutions to address harm caused by Reactive Save: (i) a complete prohibition of Reactive Save; (ii) banning Reactive Save on certain channels; or (iii) an opt-out mechanism. Accordingly, Hutchison 3G asked Economic Insight to develop a framework and evidence to evaluate the consumer impacts of Reactive Save.

1.2 Framework and approach for analysing consumer impacts

We have developed a consumer-focused conceptual framework for considering both the direct impacts (i.e. those that immediately generate costs or benefits for consumers) and indirect benefits (which primarily relate to ‘knock-on’ impacts, arising from changes to the functioning of competition) of Reactive Save. We focus

primarily on the former, because direct impacts are more practical to identify and measure.

The framework identifies four distinct consumer groups that are directly affected by Reactive Save:

- **Group A: Decided switchers who received a Reactive Save offer.** These customers make their final decision to switch prior to initiating the switch, and their mind cannot be changed by Reactive Save offers. Reactive Save has an unambiguous detrimental impact in terms of time and emotional/hassle costs involved in engaging in unwanted attempts at persuasion.
- **Group B: Persuadable switchers who received a Reactive Save offer.** These customers could, in principle, have been persuaded not to switch, but the offer was not 'good enough' to prevent them from switching. These customers face the cost of engaging with their losing provider, but could attach some positive value to knowing that they have switched to the best possible tariff available to them. As such, the net effect of Reactive Save for this group is ambiguous.
- **Group E: Decided remainers offered Reactive Save.** These customers are active considerers that were offered Reactive Save, but stayed for reasons unrelated to the Reactive Save offer. They face the costs of engaging with Reactive Save and also benefit from receiving a better tariff offer than they would otherwise be on.
- **Group F: Persuadable remainers offered Reactive Save.** These customers were offered a Reactive Save deal, and decided to stay with their existing provider because of it. They face the costs of engaging with Reactive Save and also benefit from receiving a better tariff offer than they would otherwise be on.

Customers that do not fall into the above four groups are unaffected, in a direct sense, by Reactive Save. Our analysis estimates the net impact of Reactive Save across for our four key consumer groups.

We have implemented our framework by developing an online survey, which explores both actual customer behaviour – and attitudes towards Reactive Save – alongside an experimental economics approach, designed to explore the competition (i.e. 'indirect') aspect of any impacts. In addition to testing a ban on Reactive Save, our survey also asks respondents about an 'option mechanism'. Here, customers would have the option as to whether their existing provider was allowed to contact them or not with Reactive Save offers. In practice, this could be implemented as an 'opt-in', 'opt-out', or neutral choice for consumers, after they have initiated the switch process. Within our survey, it was presented as a neutral question that customers could respond to by text with either "Y" or "N". Notably, Hutchison 3G's proposed option mechanism is the 'opt-out' specification.

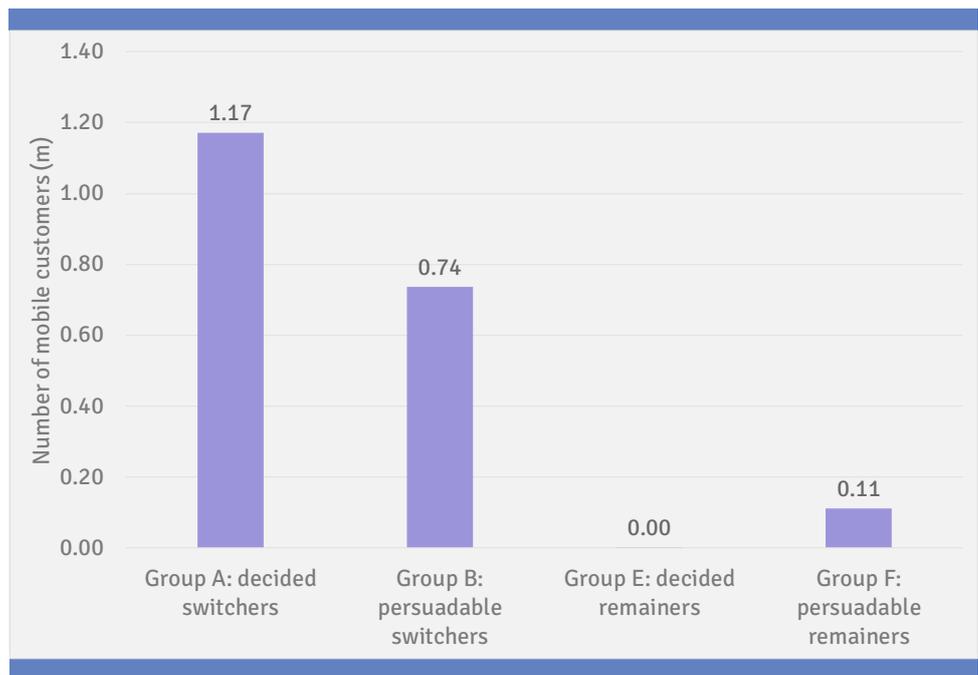
The survey fieldwork was completed between 29th August and 4th September 2017 and achieved a total sample size of 3,000 mobile customers that had switched in the last 18 months and 1,510 mobile customers that had not switched in the last 18 months.

1.3 Our analysis and results

Our survey and analysis suggest that **there is a significant number of decided switchers**. These customers are unambiguously harmed by Reactive Save. In particular, we found 61% of switchers that were offered a Reactive Save deal reported that they had made their final decision before starting the switching process; and that their losing provider could not have “realistically said or done anything” to change their mind. Decided switchers gave a variety of reasons why their losing provider could not have changed their mind, including that their new provider was offering something their previous provider could not, and long-term service/value aspects (i.e. their decision reflected a judgement regarding their existing service providers’ price / service offer over a long period of time, such that counter-offers made in the short-term would not impact the switching decision).

As illustrated below, we estimate that there are 1.17m decided switchers that are likely to use a reformed switching process – more than the other key groups combined. Hence, there are more customers unambiguously harmed by Reactive Save than there are that could potentially benefit from it, in terms of direct impacts.

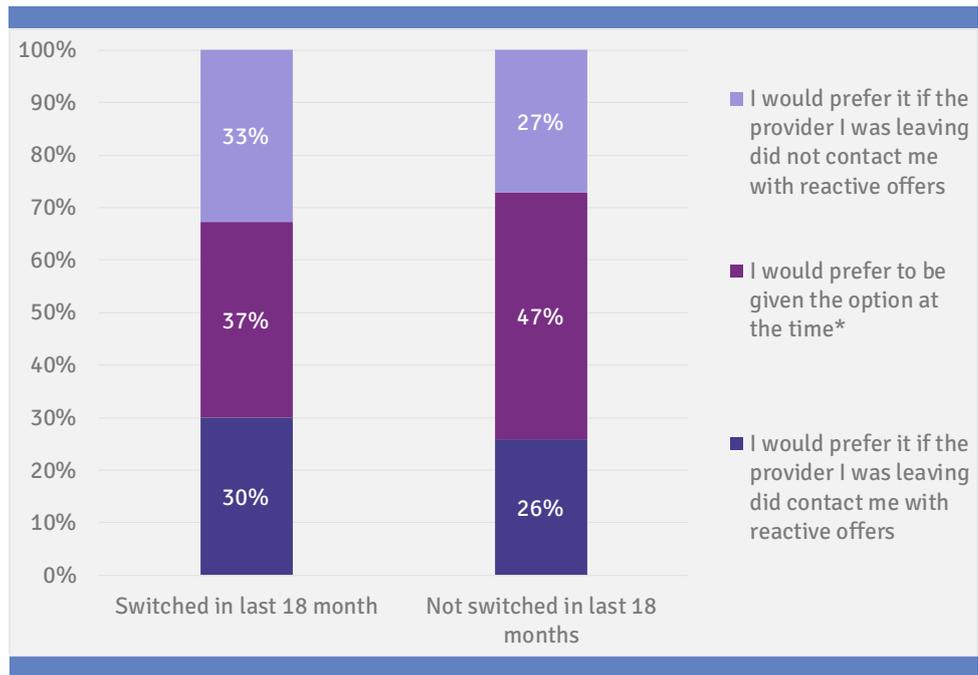
Figure 1: Number of customers in key groups



Source: Economic Insight. Note: Group E is estimated to be of a negligible size and the impact on this group is assumed to be zero. There were not sufficient number of respondents in this group within our survey to present results for them.

Significant proportions of customers do not wish to be contacted with Reactive Save offers, or would prefer to have the option of being contacted at the time they initiate a switch. Respondents who said that they may use a reformed switching process if they were to switch in the future were asked whether: they would like to be contacted; they would not like to be contacted; or they would like the option at the time. As shown in the following figure, the most favoured option among both switchers and non-switchers was the ‘option mechanism’ (37% and 47% respectively). Furthermore, significant proportions of switchers and non-switchers (33% and 27%) did not wish to be contacted.

Figure 2: Preference for Reactive Save reforms – switchers and non-switchers



Source: C2 Having requested your PAC by sending a text, the provider that you are leaving may want to contact you with “reactive offers” once you have requested the switch (a reactive offer could be a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider). You may receive up to 3 such offers, typically via a single telephone call. A call usually lasts around 7 minutes. *Response wording also included “Here, the text message (or other communication) you receive containing your PAC will also ask whether you wish your existing provider to contact you with reactive offers. You will be asked to reply, free of charge, with a “Y” if you wish to be contacted and a “N” if you do not.” Base size: 2,822 switchers, 1,407 non-switchers

Following on from the above, **we estimate that the direct impact of banning Reactive Save is likely to be an increase in customer welfare.** Using a willingness to pay approach consistent with that used by Ofcom in estimating the impact of Auto Switch and GPL, we estimate that banning Reactive Save could benefit consumers by between £0.63m and £1.21m per annum. This is equivalent to between £5.25m and £10.07m over 10 years on an NPV basis, using a discount rate of 3.5%. This case relates to Hutchison 3G’s second proposed reform option – banning Reactive Save through automated channels i.e. the Auto Switch or GPL reforms.

The option mechanism is likely to have a larger positive direct impact on consumer welfare. As the option mechanism would allow customers the choice, those that do not wish to be contacted will benefit whilst others will be unaffected, relative to the case of allowing Reactive Save. We estimate that the option mechanism will deliver benefits of between £3.43m and £4.57m per annum, or between £28.50m and £38.04m on a 10 year NPV basis. Furthermore, this beneficial effect is, in our view, unambiguous. This case relates most closely to Hutchison 3G’s third proposed reform option – an opt-out mechanism. It can also be considered in relation to the second proposed reform option (banning Reactive Save through automated channels). If customers are aware of the implications of using different channels, those that use an automated channel would essentially be opting out of receiving Reactive Save offers.

The indirect competition effects have the potential to far outweigh the direct impacts of either a Reactive Save ban or the option mechanism. The experimental

economics aspect of our survey suggests that a Reactive Save ban could marginally increase the rate of switching within the market. Based on a simple model of price elasticity and mark-ups, we demonstrate that such small changes in switching activity, if fed through to competitive intensity, can deliver significant consumer benefits.



2. Introduction and context

A range of evidence indicates that there is material customer harm arising from the prevailing customer switching processes in the mobile industry. This includes, amongst other things: consumers spending unnecessary time in progressing switches; ‘double payments’; and loss of service. Accordingly, Ofcom is proposing a package of reforms intended to improve the switching process – including the implementation of Auto-Switch. In its response to Ofcom’s most recent consultation on this matter, however, Hutchison 3G argued that Ofcom should, in addition, limit Reactive Save – a process whereby a customer’s existing mobile provider is able to reactively offer consumers an improved offer when they instigate a switch. Accordingly, Hutchison 3G asked Economic Insight to develop a framework and evidence to evaluate the consumer impacts of Reactive Save.

This report, developed for Hutchison 3G, sets out an analysis of the consumer impacts of Reactive Save and is structured as follows:

- The remainder of this chapter sets out the relevant background and context to our analysis.
- Chapter 3 describes our conceptual framework and methodological approach for conducting the analysis.
- Chapter 4 contains our analysis.
- Chapter 5 sets out our findings and recommendations, based on the analysis undertaken.

2.1 How customer switching currently functions

At present, consumers wishing to switch their mobile service provider must follow either the ‘PAC’ process or a ‘Cease and Re-provide’ (C&R) approach – which are applicable to both contact and pay-as-you-go customers.

2.1.1 The PAC process

If a customer wants to change provider, but retain (i.e. port) their exiting number, they need to follow the PAC (Porting Authorisation Code) process. Under this process, the consumer is required to contact their existing (i.e. losing) provider to obtain a PAC. Where this contact occurs by phone, Ofcom regulations mean that the losing provider must give the PAC immediately by phone, or within 2 hours via text message.

When the consumer then signs up with a new service provider (i.e. the gaining provider), they typically receive a new SIM card and are able to make and receive calls – or send messages – using a temporary number, prior to their existing number being ported. The consumer gives their PAC to the gaining provider in order to facilitate the port. Regulations require that the port occurs within one business day of the consumer request – and following the port, the temporary number is replaced with the consumer’s existing, ported, number.

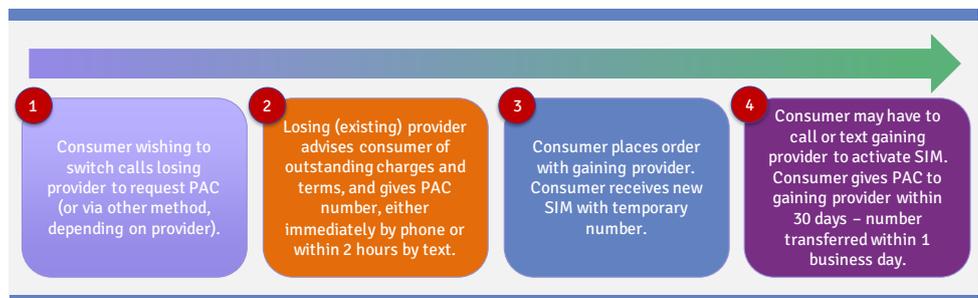
When a port occurs, consumers sometimes experience a temporary loss of service (i.e. they are unable to make / receive calls or texts). They may also experience difficulties with the temporary number (e.g., it can be deactivated too early) also resulting in an inability to make / receive calls or texts. A loss of service can arise either because of:

- How the consumer instigates the switch - they may cancel an existing service, and request a PAC, prior to entering into an agreement with a new service provider.
- The way in which industry protocols and back office functions operate – although at present, industry processes are designed so that any loss of service should be four hours at most, i.e. between 11am and 3pm on the next working day after the consumer requests the number to be ported.

Finally, the length of time taken to implement a switch is affected by industry notice periods. Where a contract customer instigates a switch outside of their existing minimum contract period, mobile providers may require them to serve a notice period, which is typically 30 days. Relatedly, depending on the exact policies of the provider, and how the switch is instigated, it is possible that contract customers can have to pay for both the old and new service simultaneously until any notice period expires (Ofcom refers to this as “double paying”).

The following figure provides an illustration of the PAC process.

Figure 3: illustration of the existing PAC switching process



Source: Ofcom

2.1.2 The C&R process

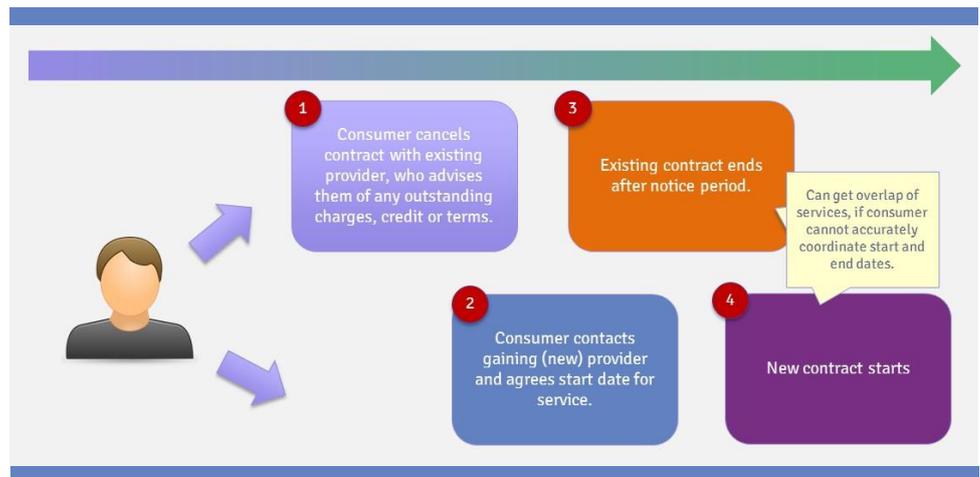
If a customer wishes to change provider, but not to retain (port) their number, there is no single / formal process to implement the switch. Instead, consumers follow a default process, whereby the consumer typically:

- contacts their existing (losing) provider in order to cancel their old service (including giving any notice required in their contract); and
- then separately contacts their new (gaining) provider in order to take out a new service.

Under this route, it is the consumer’s responsibility to coordinate the ending of their old service and beginning of their new service. As under the PAC process, double paying can occur if a contract customer does not exactly coordinate start and end dates, resulting in there being some overlap of services. Similarly, loss of service can occur if a consumer does not exactly coordinate the start and end dates, such that there is a “gap” between them. Pay-as-you-go customers may simply choose not to inform their old provider that they are no longer going to use their existing SIM.

The following figure provides a graphical representation of the typical C&R switching process.

Figure 4: illustration of the existing C&R switching process



Source: Ofcom

2.1.3 The role of Reactive Save in the current switching arrangements

Within the current switching arrangements, Reactive Save refers to customer retention attempts made by existing providers, specifically in response to a customer requesting a switch. We understand from Hutchison 3G that Reactive Save is highly prevailing in the industry today.

Hutchison 3G has further provided us with an overview of its own processes for customer retention, in order to demonstrate how Reactive Save is currently implemented in practice. Specifically, [3].

Our understanding is that the use of Reactive Save is widespread in the industry. Specifically:

- Ofcom’s consumer research found that 61% of customers that actively considered (but ultimately did not switch) indicated that the negotiation/acceptance of a deal was a factor in deciding to stay with their current provider.
- Although it is not possible to know whether this was proactive or Reactive Save activity, Ofcom further states that around a fifth of this subgroup of customers contacted their existing provider for reasons that most likely indicate their intention to switch - and so will relate to Reactive Save.

OFCOM HAS IDENTIFIED THREE MAIN CATEGORIES OF CONSUMER HARM – INCLUDING ‘UNNECESSARY TIME AND DIFFICULTIES PROGRESSING THE SWITCH.’

2.2 Issues identified by Ofcom concerning the existing switching process

Ofcom has identified a range of potential issues and concerns regarding the functioning of the current switching processes for mobile consumers. In particular, evidence developed by Ofcom showed that “38% of switchers (2.5 million consumers) said they had encountered at least one major difficulty [in switching]”; and further that “37% of mobile consumers (around 0.7 million consumers) who had actively started looking for a new provider but not switched identified at least one difficulty related to the switching process as a major factor in deciding not to switch.”¹

Relating to the above, Ofcom has identified three main categories of consumer harm arising from the prevailing switching arrangements – specifically:

- **Unnecessary time and difficulties progressing the switch**, in particular as a result of the need to contact the existing provider to request a PAC and/or cancel.
- **‘Double paying’** while switching provider, either to avoid loss of service, or because of operators’ requirements for consumers to pay out notice periods when cancelling a mobile service.
- **Loss of service while switching provider**, for example because the consumer must coordinate the switch and/or because of service disruption during the porting process.

In relation to the first of the above (unnecessary time and difficulties progressing a switch) Ofcom set out a range of specific issues that gave rise to consumer harm. These included the following:

- For consumers using the PAC process, 18% said it was “difficult” or “very difficult”. In addition, two thirds said the conversation to obtain their PAC “took too long”. Ofcom further said that “data from six mobile providers on the length of calls which resulted in a successful PAC request, indicated that **the average call duration to request a PAC is around 7.7 minutes.**”²
- Ofcom further found that difficulties in obtaining PACs were a major factor in consumer decisions to remain with their existing provider in around 10% of “active considerers”.

‘The average call duration to request a PAC is around 7.7 minutes.’
Ofcom

¹ ‘Consumer switching Proposals to reform switching of mobile communications services.’ Ofcom (May 2017).
² ‘Consumer switching Proposals to reform switching of mobile communications services.’ Ofcom (May 2017); page 28.

- Ofcom’s research also shows that switching difficulties were exacerbated by the attempts of existing providers to persuade consumers not to leave – especially where consumers have to navigate this as part of the switching process itself. Specifically, Ofcom found that 7% of all switchers cited “your previous provider trying to persuade you to stay” as a major difficulty.
- Consumers also raised difficulties in relation to **contacting their existing providers**, in both the context of the PAC and C&R approaches. For example, upon cancelling, 10% of switchers cited “cancelling their previous service provider” as a major difficulty when switching. Relatedly, Ofcom found that 11% of active considers cited “difficulties contacting their current provider” as being a major factor in deciding not to switch.

2.3 Ofcom’s proposed reforms to the mobile switching process

In its May consultation, Ofcom set out a package of reforms designed to address the regulator’s concerns regarding the existing switching process. These include:

- **The introduction of Auto-Switch** (previously known as Auto PAC). Under this proposal, consumers will be able to request – and receive – a PAC via text message, or through their online accounts (in addition to the existing method of requesting it over the phone). The message containing the PAC would also contain information relevant to their switching decision, e.g. any early termination charges (ETCs). The primary purpose of this is to address Ofcom’s concerns regarding the time and difficulties customers encounter in switching.
- Requiring providers **not to charge for notice beyond a customer’s switching date**. This is to address the “double payment” issue.
- That the process for switching should be centrally coordinated, as to ensure a consumer’s new service is activated prior to the deactivation of the old service. This is **designed to minimise ‘loss of service’ and is referred to as end-to-end management**.

Of these three main elements of Ofcom’s proposals, the first is most relevant to the scope of our study – and so we provide further information regarding this below.

2.3.1 Further details on Auto-Switch

The main feature of Auto-Switch is that consumers will be able to request their PAC via a text message – or via their online account – in addition to speaking to their existing provider over the phone.

Following a text message or online request, consumers will receive the unique code (PAC or N-PAC) immediately by return, either via text or via their online account – along with more detailed switching information. This information will include:

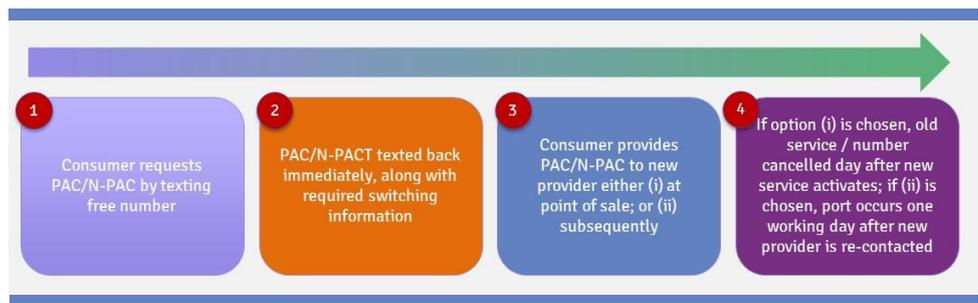
- any ETCs payable;
- outstanding handset liabilities; and
- for pay-as-you-go customers, outstanding credit balances.

Accordingly, consumers will be able to give the PAC / N-PAC code to the ‘gaining’ provider when signing up to a new service – and the port or cancellation process will be triggered when consumers receive and activate their new SIM. As a result, consumers will not need to have any further contact with the gaining provider.

The main difference, relative to the status quo, of this approach (and as emphasised by Ofcom) is that it allows consumers to choose not to speak to their existing provider to request a PAC and instigate a switch. In describing this feature of Auto-Switch, Ofcom says: *“The status quo typically requires consumers to speak with their losing provider to request their PAC. As discussed in Section 3, our consumer research shows that many respondents experience unnecessary time and difficulties during this process. Auto-Switch allows consumers to request their PAC by text or online (in addition to calling the losing provider should they wish to do so). Consumers can thus avoid having to speak to the losing provider directly. Given that provision of the PAC would be automated, consumers would have more control over obtaining a PAC and through a route of their choice.”*

The figure below provides an illustration of how Auto-Switch will function.

Figure 5: Ofcom’s Auto-Switch proposals



Source: Ofcom

Ofcom’s finalised Auto-Switch proposals set out in the May consultation included a number of refinements over previous iterations of reforms included in previous consultations. We briefly summarise these in the following passages.

2.3.1.1 Facilitating switching for non-porters

Ofcom intends the Auto-Switch should accommodate switching for consumers who do not want to port their existing number. Therefore, the process allows consumers to request either a PAC or N-PAC to facilitate a switch from their existing (losing provider). However, they will need to use a different short code when contacting their existing provider to request it.

In its March 2016 consultation, Ofcom set out that the gaining provider must request the port from the losing provider “as soon as reasonably practical” after the request is received from a consumer. Ofcom now further intends this requirement to be extended to cases where there is no number port. Accordingly, under the proposals, the ‘losing’ provider must:

- port as soon as reasonably practicable upon receiving this request; and
- if the port takes more than one working day, providers must pay reasonable compensation.

2.3.1.2 Switch process triggered by SIM activation

Ofcom is proposing that consumers can request to port or cancel their existing service when they sign up for a new one (i.e. at point of sale) – rather than after the new service has commenced. As a result, the consumer only has to contact the gaining provider once, instead of twice, as is presently the case.

Following from the above, consumers will be able to give the PAC/N-PAC to the new provider at the time of agreeing to the new service. Then, when the consumer received and activates the new SIM, the porting or cancellation process is automatically triggered, and progressed by the new (gaining) provider.

Recognising that some customers may value having some delay to the port or cancellation in certain circumstances (e.g. testing signal quality of the new service before cancelling the old) Ofcom proposes that they have a choice between: (i) providing the PAC/N-PAC at the point of sale; or (ii) providing them at a later date.

2.3.1.3 The role of third party intermediaries (TPIs) in the Auto-Switch proposals

Ofcom's research, as published in its May 2017 consultation, found that 30% of consumers made use of a TPI to organise their switching. Consequently, Ofcom gave specific thought to what role TPIs should play under its Auto-Switch proposals. Key features of Ofcom's proposals in this regard include:

- TPIs will provide switching consumers with the option of redeeming their PAC/N-PAC at the point when signing up to a new service.
- Ofcom expects TPIs to offer the same level of protection to consumers as is applied to other regulated providers.

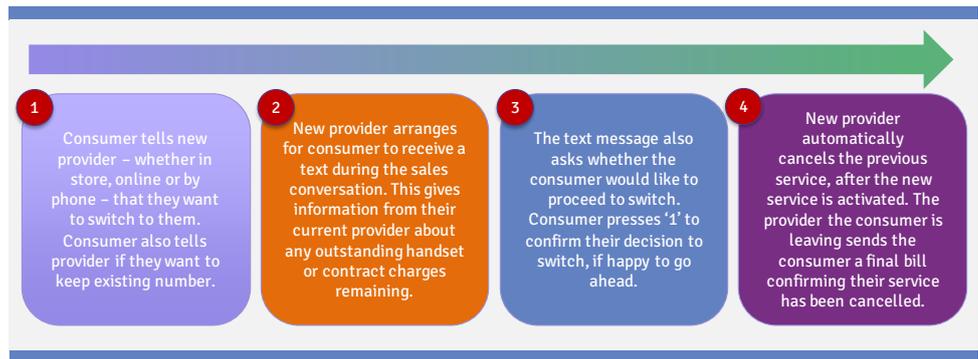
2.3.2 Ofcom's alternative GPL options

As an alternative to Auto-Switch, Ofcom has previously considered a reform known as 'Gaining Provider Led' switching. Under this approach:

- The gaining (i.e. new) provider checks with the consumer if they want to switch and – if so – whether they also want to port their existing number.
- Where a consumer does want to switch (either porting, or non-porting) the gaining provider arranges for the CPS to send a verification text to the consumer containing the relevant switching information (as previously described above).
- When the consumer wants to proceed – they provide a verification for the switch by replying to this text. The gaining provider provides the consumer with a new SIM card and coordinates the switch (including the number port) as and when the new SIM is activated.

The GPL option is illustrated in the following figure.

Figure 6: Ofcom’s alternative GPL option



Source: Ofcom

2.3.3 Ofcom’s views on the relative merits of Auto-switch and GPL

Ofcom’s assessment of the relative merits of Auto-Switch versus GPL has evolved during the consultation process. As such, it is worth briefly recapping the key points in the process.

In its earlier March 2016 consultation, Ofcom took the view that both Auto-Switch (then called Auto-PAC) and GPL would address the consumer harms it had identified. Ofcom further calculated the likely costs of implementing either option – and concluded that both were net beneficial and, therefore, proportionate.

Based on its March 2016 analysis, Ofcom – at the time – slightly preferred the GPL solution, stating: *“of the two options, we have a marginal preference for Option 2 [GPL]. This is because we believe it would be simpler for consumers than Option 1 [Auto-PAC], as it would not require them to obtain a PAC and give this to the GP.”*³

In its subsequent July 2016 consultation, Ofcom indicated its intention to revise its package of reforms by including a prohibition on notice periods, beyond the date on which customers switch to another provider. Ofcom noted that an implication of this was that the advantage of GPL over Auto-PAC was reduced. Nonetheless, Ofcom continued to slightly prefer GPL as the solution – stating: *“we consider that the non-quantified benefits described above are important to our assessment and we continue to believe that GPL is likely to deliver greater benefits in this respect. This is because it is likely to be an easier and more reliable process for consumers to navigate given that it does not rely on the consumer obtaining and passing on a PAC and that it works on similar principles to the broader GPL landscape that exists in relation to other communications services.”*⁴

In its latest, May 2017 consultation, Ofcom amended its view, instead favouring Auto-Switch over GPL. In particular, whilst Ofcom continued to take the view that both options would address the consumer harm issues it had identified, it revised its analysis of their respective costs. In particular, the regulator found: *“our estimates of the costs of implementing these reforms have risen however, and significantly in the case of GPL. We are now of the view that Auto-Switch is a more proportionate remedy to*

UNDER BOTH AUTO-SWITCH AND GPL, REACTIVE SAVE WOULD REMAIN A FEATURE OF THE SWITCHING PROCESS.

³ *‘Consumer Switching Proposals to reform switching of mobile communications services.’ Ofcom (March 2016); page 7.*
⁴ *‘Consumer Switching - Further proposals to reform switching of mobile services: Proposals to address the impact of minimum notice periods when switching mobile communications services.’ Ofcom (July 2016); page 32.*

address the problems we have identified. It would meet our policy objectives but at a lower cost than GPL.”⁵

Importantly, in the context of our study here, one should be aware that under both the Auto-Switch and GPL options considered by Ofcom, the use of Reactive Save by mobile providers would be allowed to continue.

⁵ [‘Consumer switching Proposals to reform switching of mobile communications services.’ Ofcom \(May 2017\); page 3.](#)

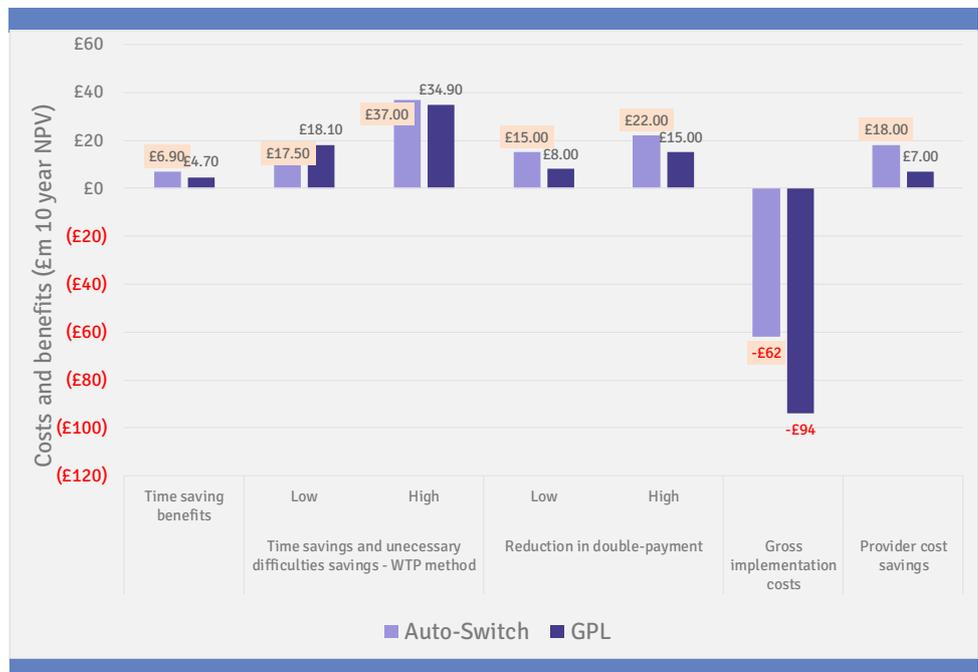
2.4 Ofcom’s assessment of the impact of its reforms

Ofcom undertook a range of analyses to evaluate the impact of its proposed package of reforms. In relation to Auto-Switch and GPL specifically, Ofcom quantitatively analysed:

- the benefits of time savings to customers as a result of being able to avoid unnecessary phone contacts;
- the broader benefits of avoided ‘time and unnecessary difficulties’ assessed using willingness to pay (WTP);
- the reduction in ‘double payments’ associated with the options;
- the gross costs of implementing Auto-Switch and GPL; and
- the potential cost savings achieved by providers through implementing the options.

The following figure summarises the results of Ofcom’s analysis.

Figure 7: Ofcom’s quantified cost and benefit options for Auto-Switch and GPL



Source: Ofcom (taken from pages 74-84 of the May 2017 consultation)

There are a number of points worth highlighting regarding Ofcom’s approach – as they have, in turn, influenced our thinking regarding developing an appropriate methodology for examining the impacts of Reactive Save.

‘We consider that WTP evidence provides a better estimate of the total reduction in harm to switchers.’

Ofcom

Firstly, Ofcom made use of both a ‘direct time saving’ measure and a WTP in order to establish the consumer benefits associated with addressing ‘time and difficulties’ in switching. Here, Ofcom stated the following: *“the time savings approach does not capture the difficulties we expect consumers to avoid when using a new process to switch provider and the broader benefits of an easier switching process. Consequently, this approach cannot account for the full benefits we expect our reforms to deliver... we consider that this [WTP] evidence provides a better estimate of the total reduction in harm to switchers that our reforms could deliver, because it relates specifically to the reforms we have proposed, and (in principle) fully captures the value of the difficulties*

that switchers would avoid when using a new process to switch."⁶ Ofcom also noted, however, the various difficulties and issues associated with interpreting WTP evidence.

Secondly, Ofcom identified what it considered to be material additional benefits, which it did not seek to quantify. For example, these included: (i) benefits to 'would be' switchers – in the form of gains from switching and improved save offers; and (ii) competition benefits – Ofcom's view was that its reforms would boost competition and that the *"benefits could potentially be significant."*⁷

Thirdly, the issues of cost savings achieved by providers was somewhat contentious. Ofcom's rationale for savings was that, in totality, the reforms would result in providers having to deal with less customer contacts – so reducing the need for customer service agents. However, some providers suggested to Ofcom that agents would instead be redeployed, such as: (i) to deal with outbound and / or customer service functions; and / or (ii) to undertake more pro-active customer retention activity. Notwithstanding this, Ofcom remained of the view that, overall, its reforms would reduce costs for providers.

Ofcom also quantified certain features of other elements of its reforms, relating to: End-to-End management; transparency requirements; and the prohibition of charging for notice periods. As these aspects are not relevant to our study, we do not discuss Ofcom's impact assessment of them.

2.5 Hutchison 3G's position

In its September 2017 response⁸ to Ofcom's most recent (May 2017) consultation, Hutchison 3G made three overarching points:

- **Reactive Save is harmful to consumers, price transparency and competition** because: (i) customers wanting to leave face the hassle of being offered Reactive Save deals; (ii) providers can offer tariffs to certain customers that other customers can't see; and (iii) such 'under the counter' offers create competition concerns because smaller MNOs must beat incumbents' Reactive Save deals.
- **Ofcom's proposed reforms will open the floodgates to nuisance calls** as providers will call potential switchers to try to persuade them not to leave.
- **Ofcom's analysis of the GPL vs Auto Switch is flawed** because it does not take account of the most cost-efficient implementation of GPL and it has understated the relative net benefits of the two reform options.

⁶ *'Consumer switching Proposals to reform switching of mobile communications services.'* Ofcom (May 2017); page 75.

⁷ *'Consumer switching Proposals to reform switching of mobile communications services.'* Ofcom (May 2017); page 88.

⁸ *'Mobile switching, presentation to Ofcom.'* Hutchison 3G (September 2017).

2.5.1 Hutchison 3G views on the potential impacts of Reactive Save

In its June 2017 consultation response⁹, Hutchison 3G put forward a number of arguments as to why a ban on Reactive Save is likely to be beneficial. These are as follows:

- Hutchison 3G noted that there will be a sub-set of customers, whom when choosing to switch, actively do not want to be contacted by their existing provider. As such, Hutchison 3G argued that these customers: *“should not have to endure unwanted calls and Reactive Save offers from the losing provider.”*¹⁰
- Related to the above, **Reactive Save could act as a deterrent to switching**, noting that Ofcom’s own research showed that the presence of Reactive Save activity was a factor in the decision of many customers who ultimately decided not to switch.
- Hutchison 3G suggested that **Reactive Save could be harmful to competition**. Here Hutchison 3G suggested that it could both: (a) increase *barriers to entry and expansion*; and (b) could *dampen competition by providing a means to price discriminate* between active and inactive customers.
 - » In relation to entry barriers, Hutchison 3G made two points. Firstly, that in a saturated market, such as mobile, entrants and smaller players can only expand by acquiring customers from existing, larger mobile providers. Here, Hutchison 3G’s argument was that the switching process was ultimately providing the larger incumbents with additional information on which customers were more ‘active’ versus ‘inactive’, which was by definition only available to smaller firms / entrants to a lesser degree. This additional information, Hutchison 3G argued, effectively disproportionately increases the customer acquisition costs of entrants / smaller players, relative to larger incumbents. This could have several implications – but, for example, Hutchison 3G suggested it might mean that: *“the new entrant must now advertise a price that is not only cheaper than the prevailing market price, but also cheaper than the Reactive Save offer of the incumbent.”*¹¹ Secondly, Hutchison 3G argued that Reactive Save allows existing providers to benefit from an information asymmetry advantage regarding their knowledge of their own customers’ profitability. Hutchison 3G thus argued that Reactive Save allows existing providers to tailor their discounts, such that there is ultimately an ‘adverse selection problem’, whereby: *“new/smaller operators are only able to acquire those customers with the lowest (or even negative) net margins.”*¹²
 - » In relation to price discrimination, Hutchison 3G argued that, absent Reactive Save, providers would have to advertise as low a price as possible across their entire customer base. In contrast, however, Hutchison 3G suggested that – if providers can exactly determine which customers will

⁹ *‘Three’s response to Ofcom’s proposals to reform switching of mobile communications services.’ Hutchison 3G (June 2017)*

¹⁰ *‘Three’s response to Ofcom’s proposals to reform switching of mobile communications services.’ Hutchison 3G (June 2017); page 4.*

¹¹ *‘Three’s response to Ofcom’s proposals to reform switching of mobile communications services.’ Hutchison 3G (June 2017); page 5.*

¹² *‘Three’s response to Ofcom’s proposals to reform switching of mobile communications services.’ Hutchison 3G (June 2017); page 6.*

switch – they do not need to offer their best price. Rather, providers can just selective discount to customers who are actually about to switch. Hutchison 3G further suggested that: *“the result is that while the small proportion of customers who attempt to switch may benefit from a price reduction, the much larger proportion of customers in the market will be paying more than they otherwise would. Essentially, the switching activity of a minority of active customers fails to discipline providers and protect the rest of the customer base.”*¹³ As a result, Hutchison 3G argued that this form of price discrimination results in a softening of price competition more widely, which is harmful to customers.

Hutchison 3G’s submission to Ofcom also included a high-level quantification of the potential impact of a ban on Reactive Save. This was based on the assumptions that:

- banning Reactive Save would have a pro-competitive effect; and
- the scale of this effect would translate to a reduction in prices equal to 5% of Hutchison 3G’s [3<].

Hutchison 3G acknowledged that there was no specific evidence to inform the likely ‘scale’ of the impact – its analysis is shown in the following table. Hutchison 3G’s view is that this is a conservative estimate of the potential impact of a ban.

¹³ [“Three’s response to Ofcom’s proposals to reform switching of mobile communications services.” Hutchison 3G \(June 2017\); page 6.](#)

Table 1: Hutchison 3G's quantification of Reactive Save ban

Calculation step	Units	Amount	Source
[1] Total number of mobile subscriptions	(millions customers)	83.51	Telecommunications Market Data Tables, Ofcom, Q4 2016
[2] Annual number of switchers	(millions customers)	5.12	Figure A10.1, Consumer switching - Consumer switching - proposals to reform switching of mobile communications services, Ofcom, May 2017
[3] Value of Three's [3<]	(£s)	[3<]	Three UK internal retention process
[4] Proportion of discount transferred into reduction in advertised prices following Reactive Save ban	(%)	5%	Assumption
[5] Reduction in advertised market price following Reactive Save ban	(£/pm)	[3<]	[3] * [4]
[6] Annual reduction in advertised price following Reactive Save ban	(£s)	[3<]	[5] * 12
[7] Aggregate annual consumer benefit from Reactive Save ban	(£m)	[3<]	[6] * [1]
[8] Aggregate consumer benefit (ten year NPV)	(£m NPV)	[3<]	NPV of 10-year annual recurrence of [7]

Source: Hutchison 3G

2.5.2 Hutchison 3G's proposed potential Reactive Save reforms

In its June 2017 consultation response¹⁴, Hutchison 3G suggested three potential solutions to the detriment caused by Reactive Save. In particular:

1. **A complete prohibition on Reactive Save.** Providers would be banned from using information received during the switching process for customer retention purposes.
2. **Reactive Save ban on automated channels.** Customers contacting their losing provider via automated channels (SMS, online, IVR phone calls) could not be contacted by their losing provider. Customers wishing to haggle could do so via a specific phone line.
3. **An opt out mechanism.** Customers who use an automated process would have the option to opt out of unwanted contact from their losing provider.

¹⁴ *Three's response to Ofcom's proposals to reform switching of mobile communications services.* Hutchison 3G (June 2017)

As we explain further in Chapter 3, our approach to this study has been to consider the potential consumer impacts of Reactive Save from first principles – and to develop a framework to identifying and measuring them. Accordingly, the above is presented for the purpose of setting out fully the relevant background to our work. Ultimately, we have reached our own independent view as the most appropriate way to consider the consumer impacts of Reactive Save.

2.6 The scope and aims of our analysis for Hutchison 3G

In the above context, Hutchison 3G asked us to develop evidence to robustly quantify the likely consumer impacts of Reactive Save and, consequently, the potential benefits to consumers of it being banned. This explicitly included:

- Developing a clear framework to transparently identify the potential sources of consumer harm that Reactive Save may give rise to.
- Develop new primary evidence to help confirm the presence, or otherwise, of such detriment and – where possible – quantify it.
- Following the above, to set out our views as to the policy implications that follow from the evidence.

OUR WORK DOES NOT CONSIDER THE RELATIVE MERITS OF AUTO-SWITCH VERSUS GPL. RATHER, WE FOCUS ONLY ON UNDERSTANDING THE IMPACT OF REACTIVE SAVE, WHERE THE KEY ISSUES WOULD SEEM TO ARISE UNDER BOTH AUTO-SWITCH AND GPL OPTIONS.

Accordingly, the next chapter in our report sets out our framework for thinking about consumer impacts – and consequently the methodology we have applied in order to develop evidence regarding the magnitude of any such impacts.

Note, a consideration and analysis of the costs and benefits of Auto Switch, relative to GPL was not within the scope of our study. As such, whilst *elements* of our subsequent analysis explore the potential impact of Reactive Save *relative to the counterfactual of Ofcom's Auto Switch proposals*, this not indicate any explicit endorsement of Auto Switch. Rather, we think that the issues we seek to explore with respect to Reactive Save would seem to apply equally under GPL. We have used Ofcom's prevailing Auto Switch proposals as our reference point because we thought it logical and practical to use the regulator's proposals.



3. Framework and approach for understanding consumer impacts

Our framework for assessing the consumer impacts of Reactive Save identifies both direct impacts (i.e. those that immediately generate costs or benefits for consumers) and indirect benefits (which primarily relate to 'knock-on' impacts, arising from changes to the functioning of competition). We focus primarily on the former, because direct impacts are more practical to identify and measure. We have implemented our framework by developing an online survey, which explores both actual customer behaviour – and attitudes towards Reactive Save – alongside an experimental economics approach, designed to explore the competition aspect of any impacts.

3.1 Framework for considering consumer impacts

In order to develop an appropriate approach to collating new evidence to inform an assessment of the consumer impacts of Reactive Save, it is first important to start from a clear, robust, conceptual framework. Here, the purpose of the framework is to ensure that: (i) the full range of potential impacts are identified; (ii) that there is a clear rationale and logic to underpin the potential impacts (i.e. one can identify the key causalities and dependencies, which affect the direction and magnitude of said impacts); and (iii) to ensure that the detailed design of our research method will then be able to test whether these impacts arise and their likely scale.

For the purpose of developing a framework, we think it is helpful to distinguish between:

- **Direct impacts** – that is to say, impacts from use of Reactive Save itself that directly give rise to costs or benefits for mobile consumers.
- **Indirect impacts** – most likely relating to any potential 'knock-on' impacts on the functioning of competition associated with the presence, or absence, of Reactive Save.

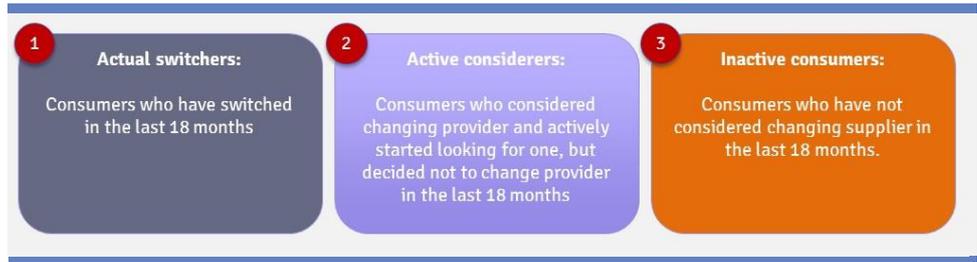
We consider both of the above dimensions – although direct impacts are likely less contentious and more easy to test and measure with evidence.

3.1.1 Identifying direct consumer impacts from Reactive Save

In considering the *direct impacts*, it is helpful to distinguish between different categories of consumers. Specifically – and consistent with Ofcom’s approach – we think it is meaningful to differentiate between:

- actual switchers;
- active considerers; and
- inactive consumers.

Figure 8: Customer categories



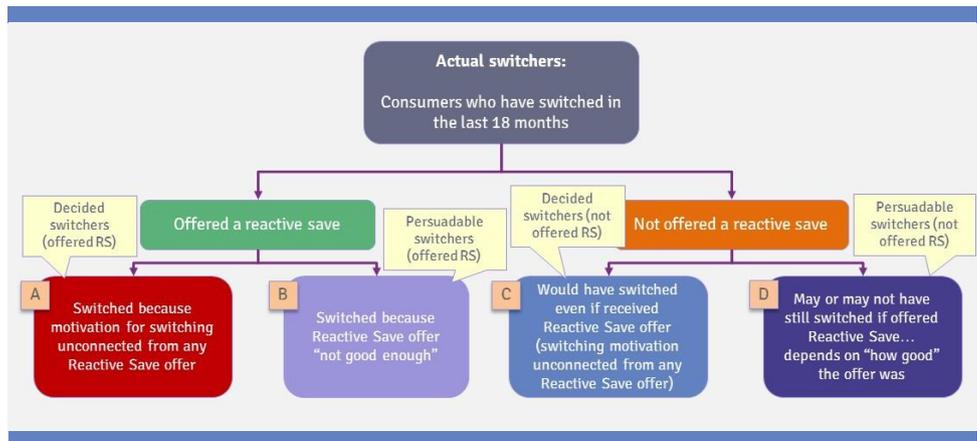
Source: Economic Insight

3.1.1.1 Direct impacts on actual switchers

When considering the direct impacts of Reactive Save on consumers who have switched in the last 18 months (i.e. actual switchers), it is helpful to further distinguish between:

- those that were / were not offered a Reactive Save; and furthermore
- those whose motivation for switching was unconnected from any Reactive Save offer (i.e. they would have switched regardless of “how good” the offer was) - and those who, in principle, *might* have chosen not to switch, had the Reactive Save offer been better.

Figure 9: Categories of “switchers”



Source: Economic Insight

FOR ANY CONSUMERS WHOSE MOTIVATION FOR SWITCHING COULD NOT BE COUNTERED BY REACTIVE SAVE, BY DEFINITION REACTIVE SAVE IS HARMFUL. IT IS THEREFORE ESSENTIAL TO ESTABLISH THE EXTENT TO WHICH SUCH 'DECIDED SWITCHERS' EXIST – AND THEIR VALUATION OF AVOIDING REACTIVE SAVE.

Group A: decided switchers who received a reactive save offer

The above distinction matters because, to the extent that there are switchers whose motivation is unconnected from any Reactive Save (we refer to these consumers as Decided Switchers) the direct impact of Reactive Save is to impose unnecessary costs upon them – in terms of:

- the time spent engaged in the unwanted Reactive Save process itself; and
- the emotional impact / hassle factor associated with Reactive Save.

There are several in principle reasons as to why a consumer might switch for factors that could not be countered with a Reactive Save offer (i.e. would be a “decided switcher” in our framework). These could include:

- **The switch might be motivated by more subtle perceptions of value, such as the overall brand position or price and service offer over a period of time –** such that any ‘reactive offer’ would not fundamentally affect the consumers’ valuation of the incumbent (i.e. the consumer feels the incumbent has systematically given them ‘poor value’ for many years).
- **The switch might be primarily motivated by service quality**, to which consumers attach sufficient weight such that it offsets any plausible value for a pricing counter-offer.
- **The switch may be motivated by a ‘trigger event’** – again, which negatively impacts the consumer’s valuation of the incumbent’s offer in a way that cannot be countered by a Reactive Save.
- **The switch might be motivated by a gaining provider offering a package that is simply not available through an incumbent** – such as a particular ‘all you can eat’ data deal.

By definition, for “decided switchers” Reactive Save is imposing a net cost; and so a ban on Reactive Save (or alternative options where consumers can opt in / opt out of Reactive Save) will be beneficial to them. Given this, it is clearly important that any analysis of the direct consumer impacts of Reactive Save is able to establish:

- the extent to which there are decided switchers; and
- what their motivation for switching was – and why it would result in them not being susceptible to any Reactive Save offer.

Furthermore, and building on Ofcom’s own impact assessment, it is important that any analysis of direct impacts for this group of consumers captures both:

- » **The time costs** associated with Reactive Save, which these consumers would rather not incur.
- » **The “value”** (or willingness to pay) that this group attaches to alternative switching processes whereby Reactive Save is either “banned”, or is voluntarily from the perspective of consumers.

The latter is important because, as we summarised previously, Ofcom’s position is that a pure time approach may undervalue consumers’ true assessment of the benefit of not having to go through unnecessary switching processes.

FOR PERSUADEABLE SWITCHERS, REACTIVE SAVE STILL IMPOSES A NET TIME COST. HOWEVER, UNLIKE DECIDED SWITCHERS, IT IS UNLIKELY THEY WILL ATTACH ANY INTRINSIC DISUTILITY TO THE MERE EXISTENCE OF REACTIVE SAVE. IN FACT, THEY MAY ACTIVELY ATTACH A UTILITY TO THE CONTINUATION OF REACTIVE SAVE.

Group B: persuadable switchers who received a reactive save offer

Some switchers who received a Reactive Save offer are likely, 'in principle' to have been 'persuadable'. Here, their reason for switching was simply that the Reactive Save offer was "not good enough". For this group of customers, the direct impacts of Reactive Save are likely to be as follows:

- As for 'decided switchers', ultimately the time involved in engaging in Reactive Save is a 'cost' incurred by the consumers, which would have been avoided, had Reactive Save been: (i) banned; or (ii) been voluntarily from the perspective of consumers.
- Unlike for 'decided switchers', however, persuadable consumers unlikely attach any additional intrinsic 'disutility' to the mere presence of Reactive Save (because these switchers openly acknowledge that they could have taken a Reactive Offer, had it been better).
- In fact, related to the above, it is more likely that persuadable switchers *attach an intrinsic value to the continuation of Reactive Save*. This could be, for example, because its existence, and the process itself, provides them with emotional reassurance that they achieved a 'good' outcome from their switch.

Consequently, we consider it important that any analysis to quantify the potential consumer impacts address both the 'time cost' incurred but also the 'intrinsic value' this group may attach to retaining Reactive Save.

Note here, because we are focusing only on 'direct impacts', we are not assuming one way or the other as to whether Reactive Save either enhances or impedes competition. Consequently, within this part of our framework, it is not appropriate to consider whether 'persuadable switchers' are more or less likely to receive lower prices, or higher service quality, in the presence / absence of Reactive Save.

Groups C and D: Switchers that were not offered a Reactive Save

Consumers who switched in the last 18 months, but were not offered a Reactive Save, are, by definition, unaffected (in a direct sense) by the presence / absence of Reactive Save. Consequently, there are no direct costs or benefits to consider for groups C and D.

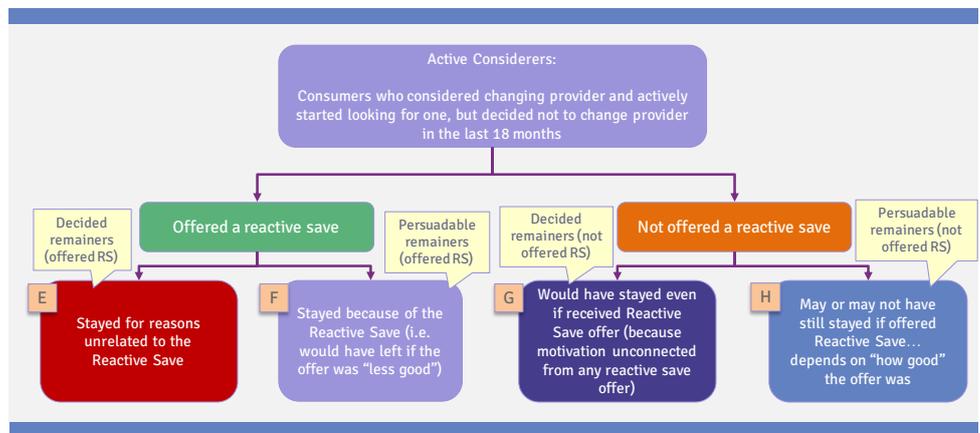
3.1.1.2 Direct impacts on “active considerers”

As described previously, by “active considerers” we are referring to consumers who considered changing their mobile provider, and actively started looking for one, but ultimately decided not to switch (during the last 18 months).

As per the “switchers”, we think it is further helpful to differentiate between active considerers who:

- were / were not offered a Reactive Save; and
- stayed with their existing provider for reasons unconnected to any Reactive Save offer – versus being influenced by a Reactive Save offer.

Figure 10: Categories of “active considerers”



Source: Economic Insight

Group E: Active Considerers, offered a Reactive Save, but stayed for reasons unrelated to the Reactive Save offer

It is possible that there are some customers who, having decided to actively consider their options, and having been offered a Reactive Save, choose to remain with their existing provider – but for reasons unconnected to the Reactive Save offer itself. There would seem to be three broad reasons as to why this might occur.

- **New information becomes available to the consumer having requested the PAC.** Suppose a consumer has decided to actively consider changing supplier – say because their *current* perception is that their existing offer is poor value – or perhaps just because it has been a long time since they compared offers across the market. Based on an initial review of their options, they believe their perception to be accurate – and request their PAC. However, the consumer continues to review their options and obtains new information (for example, some service quality information that indicates their existing provider is higher quality than the available alternatives). As a result, the consumer decides they wish to remain with their existing supplier. The exiting provider then offers a Reactive Save to the consumer, which is accepted, but the consumer’s mind was already made up – and so it did not affect the decision. Note, because Reactive Saves can be offered at multiple points during the PAC / switch process, this example could occur either before the first Reactive Save offer is made; or between subsequent Reactive Save offers.

- **A change in consumer's circumstances.** Suppose a consumer, having actively considered their options, decides to switch and requests a PAC. Then, their circumstances change in a way that impacts their valuation of the relative offers available. For example, they get a new job that increases their income, or they were in the process of moving house, which unexpectedly falls through (which might matter if, for example, mobile reception coverage of the existing provider was good in their current house, but alternative providers have poor coverage). In this situation, if the change of circumstance sufficiently impacts consumers' valuation of their relative options, they may change their mind and decide to remain with their existing provider. As such, any subsequent Reactive Save offers, even if accepted, might ultimately be immaterial to the consumer's decision to stay.
- **The consumer used Reactive Save as a bargaining mechanism.** The final circumstance under which the offer of a Reactive Save may, itself, not have been the determinant of a decision to stay, is where a customer requests a PAC primarily as a means of negotiation. Under this logic, the consumer is aware of the existence of Reactive Save and that providers are more likely to offer better deals once a PAC is requested. As such, the actual offer of the Reactive Save is not necessarily the main determinant of why the consumer decides to stay. Rather, their preference may, on balance, always have been to have stayed.

Our expectation is that this group of consumers is likely to be relatively small. This is because, in the first two examples above, there is a limited "window" in which either new information can become available, or consumer circumstances can change, in between: a PAC being requested; Reactive Save offers being made; and the switch being implemented. Nonetheless, we can see that (in principle) such consumers could exist – and so it is right to test this with evidence.

Following from the above, for consumers in the above group, Reactive Save would seem to have the following 'direct impacts':

- They incur an unnecessary "time cost" from engaging in the Reactive Save process, because (by the time they receive the Reactive Save offer – which could be the first, or subsequent, offer) they have already made up their mind to stay.
- However, such consumers will, regardless, benefit from whatever price reduction is offered via the Reactive Save (again, note – that because we are only considering 'direct impacts' here, we leave to one side whether, absent Reactive Save, this same consumer group could have secured the same discounts through some other means).
- Finally, in addition, this group may attach some 'intrinsic value' or 'intrinsic disutility' to the existence of Reactive Save. On one hand, they may value its existence because, whilst it did not directly impact their decision to stay, as a matter of fact they achieved a saving through it, which could impact their perception in a positive way. On the other hand, because Reactive Save was not a factor in their decision, and because they incurred time engaging in it, they may have preferred not to have received the offer.

It is, therefore, important that any analysis of the direct impacts of Reactive Save addresses:

- the extent to which this group of consumers exist;
- what their motivations were for remaining and why these are unaffected by Reactive Save;
- any price reduction they secured via Reactive Save; and
- whether these consumers intrinsically value, or un-value Reactive Save.

Group F: active considerers, offered a Reactive Save, who stayed because of the presence of Reactive Save

For “active considerers” who received a Reactive Save offer and stayed because of that offer, the direct impact of Reactive Save is likely beneficial. Specifically:

- They benefit from the price reduction they secured because of Reactive Save. Consequently, for such customers, if Reactive Save were “banned” they could incur a direct cost equal to the saving. Note, if Reactive Save was voluntary, so that they could opt in / opt-out, they would be unaffected.
- They might also intrinsically value Reactive Save.

Note, in the absence of Reactive Save, this group may, of course, still benefit from a price reduction through some other means. For example, they might pro-actively approach their existing supplier to secure a price reduction. However, as this is not a ‘direct impact’ arising from the presence or absence of Reactive Save, we do not address it here – but rather, consider this as a potential indirect impact (see later).

Groups G & H: active considerers who were not offered a Reactive Save

Consumers who actively considered their options, but were not offered a Reactive Save, are, by definition, unaffected (in a direct sense) by the presence / absence of Reactive Save. Consequently, there are no direct costs or benefits to consider for this group. They may, however, subsequently be impacted by any ‘knock-on’ effects on competition associated with the presence – or absence – of Reactive Save.

Inactive customers

In a direct sense, ‘inactive customers’ (i.e. those that did not consider alternative offers) are unaffected by the presence of absence of Reactive Save. As above, they may, however, subsequently be impacted by any ‘knock-on’ effects on competition associated with the presence – or absence – of Reactive Save.

3.1.2 Summary of potential direct impacts to be analysed

Drawing the above together, the following table summarises the range of potential direct impacts of Reactive Save across the various groups of consumers we have considered. As we describe further in our ‘methodology’ section, we have developed a survey that is designed to help test the extent to which these impacts arise in practice – by both addressing:

- the existence / size of the potential consumer categories; and
- for each category, the respective magnitudes of the impacts.

Table 2: summary of potential direct impacts by consumer groups

	Consumer group	Direct time impacts	Direct £s saving from RS	Intrinsic value of RS	Intrinsic disutility of RS
Actual switchers	Group A: Decided switchers (offered RS)	Yes (direct time cost)	NA	NA	Yes
	Group B: Persuadable switchers (offered RS)	Yes (direct time cost)	NA	Yes	NA
	Group C: Decided switchers (not offered RS)	NA	NA	NA	NA
	Group D: Persuadable switchers (not offered RS)	NA	NA	NA	NA
Active considerers	Group E: Decided remainers (offered RS)	Yes (direct time cost)	Yes	Unclear	Unclear
	Group F: Persuadable remainers (offered RS)	Yes (direct time cost)	Yes	Yes	NA
	Group G: Decided remainers (not offered RS)	NA	NA	NA	NA
	Group H: Persuadable remainers (not offered RS)	NA	NA	NA	NA
Inactive customers		NA	NA	NA	NA

Source: Economic Insight

Red = direct cost; green = direct benefit

3.1.3 Identifying indirect consumer impacts from Reactive Save

Whilst direct impacts are typically more practical to identify and quantify, it is also important to consider *indirect impacts* when considering the totality of consumer effects relating to Reactive Save. Here, the most obvious form of indirect impacts relates to how changes to the switching process – and specifically the functioning of Reactive Save, might affect competition.

3.1.3.1 Our hypotheses regarding potential competition related impacts

As noted previously, we are aware of the various arguments put forward by Hutchison 3G as to how Reactive Save might weaken competition, with follow-on negative impacts on consumers. We have given this issue our own, independent consideration, and believe the following two potential issues to be the most pertinent.

- **Hypothesis 1: the presence of Reactive Save in of itself lowers customer engagement and switching in totality.** The rationale for considering this relates to evidence referred to by Ofcom, which shows that the existence of the Reactive Save process itself was a factor in many consumers' decision *not to switch*. Thus, one plausible theory, is that consumers, aware that, should they even begin a "switch", there will be an associated process that is time consuming and has an emotional hassle factor *specifically because of Reactive Save*, are less likely to engage in "search behaviour" and "switching" than would otherwise be the case.
- **Hypothesis 2: that the presence of Reactive Save creates barriers to entry and expansion, because it provides large, existing providers with additional information as to who the most price sensitive customers are, which is not available (to the same degree) to entrants or smaller providers.** That is to say, leaving to one side whether price discrimination is welfare enhancing or not, the switching process as it currently functions, by virtue of Reactive Save, results in an un-level playing field, because larger existing players receiving switch requests have more information about who the most price sensitive customers are. This, most likely, manifests itself in customer acquisition costs being higher than would otherwise be the case for smaller providers or entrants.

Of these, it is relatively practical to develop quantitative evidence to inform the extent to which hypothesis 1 applies, or not, in practice – and the likely magnitude. You will see, therefore, that the research element of our methodology for developing an analysis of indirect consumer effects focuses primarily on this.

We are further aware that Hutchison 3G's competition related arguments also included:

- That Reactive Save can result in 'adverse selection', because larger existing players have an information asymmetry advantage in relation to the profitability of their customers. Consequently, with Reactive Save they can target discounts in a way such that entrants / smaller rivals can only acquire low margin / negative margin customers.
- That Reactive Save can facilitate price discrimination, which could be welfare diminishing overall because prices, in totality, are higher than they would otherwise be.

3.1.3.2 Our thoughts regarding adverse selection

In relation to the first of these arguments, it is clearly the case that any provider has more information about the likely profitability *of its own customers* than its rivals. Relatedly, larger providers, with more customers, might have better information about the respective profitability of various consumer segments across the market more broadly than smaller providers.

Our view is that, absent additional evidence, we cannot objectively determine whether there is a genuine information asymmetry that gives rise to adverse selection that acts to the detriment of consumers that is directly linked to Reactive Save. Equally, however, we cannot rule out this possibility that such adverse selection may arise.

3.1.3.3 Our thoughts regarding price discrimination

In relation to the price discrimination argument, there are two practical issues.

- Firstly (and related to the adverse selection point) we cannot objectively determine, with certainty, as to whether the scope for price discrimination would necessarily be affected by the presence of absence of Reactive Save. Clearly, the direct nature of customer contact associated with a switch request and the ability for providers to immediately respond to that with counter-offers provides a highly practical means through which price discrimination can be implemented. However, as noted above, even absent Reactive Save, firm incentives to maximise profit remain and various other mechanisms to target pricing offers may remain.
- Secondly, whether such price discrimination is likely to increase or decrease consumer welfare is (from an economic theory perspective) ambiguous. Consequently, from an 'in principle' point of view, to the extent that removing Reactive Save did result in less scope for price discrimination, this may, or may not, increase consumer welfare. The underlying rationale for this, as established in economics, is that - whilst in some situations price discrimination may reduce the welfare of certain consumer groups - it can also 'boost' output, drawing new consumers into a market - or raising the consumption of existing consumers - such that, overall, consumer welfare is increased. Various academics - notably Professor Mark Armstrong - have considered these issues in detail. Armstrong summarises the position simply as follows: "*in competitive environments, whether consumers are better or worse off when firms can practice price discrimination is a subtle question.*" He further states: "*the welfare effects of allowing price discrimination are ambiguous, both with monopoly and with oligopoly supply.*"¹⁵

To address the above matters, empirical evidence would need to be gathered. For example, on the latter point, one would need to develop a detailed quantitative model of competition the UK mobile market, with information on customer price elasticities and firm supply curves. It is typically challenging (but not impossible) to develop the required inputs to a suitable level of robustness for such analysis to be reliable.

In summary, therefore, we cannot objectively determine whether or not price discrimination would be more, or less, likely absent Reactive Save - nor whether this would be harmful, or not, for consumers. As per the adverse selection point above, however we should stress that we cannot rule out the possibility that such price

¹⁵ *'Price Discrimination.'* Mark Armstrong, UCL (2006).

discrimination may be harmful and would be mitigated by the removal of Reactive Save activities.

As the overall purpose of our study is to develop new, empirical, evidence to help inform the consumer impacts of Reactive Save, our approach is to focus on our “hypothesis 1” (i.e. the impact on consumer engagement in the market of Reactive Save) as outlined above. There are a range of additional competition related impacts which, theoretically, may or may not arise (including some impacts raised by Hutchison 3G). However, as these are impractical to verify objectively with empirical evidence without considerable resource investment, we have not considered them further within the scope of our study.

3.1.4 Key implication of our framework:

Before setting out the detail of our methodology, it is worth considering two overarching implications of the framework we have developed (which ultimately, we test with the evidence we develop).

- Firstly, whether a “ban” on Reactive Save is likely to be net beneficial for consumers will primarily depend on: (i) the relative sizes of the various consumer segments we have identified; and (ii) their related valuations of the retention or removal of Reactive Save practices.
- However, a change whereby Reactive Save becomes optional for consumers (i.e. could be “opt in” or “opt out”) would seem to be unambiguously beneficial. This is because, by definition, it allows those consumers who consider it to be a “net cost” to avoid it altogether; whilst allowing those consumers who consider it to be a “net benefit” to continue to enjoy utilising it. This would only not be the case if the implementation costs were so high as to offset the gains.

A KEY IMPLICATION OF OUR FRAMEWORK IS THAT A MIDDLE OPTION, WHEREBY REACTIVE SAVE BECOMES “OPTIONAL” FOR CONSUMERS, WOULD SEEM TO BE UNAMBIGUOUSLY BENEFICIAL.

3.2 Methodology for developing evidence to measure impacts

We have developed a methodology, based on undertaking primary research, to apply the framework described above in order to provide a robust analysis of the consumer impacts of Reactive Save. Our methodology has been designed to address the following questions:

- What are the consumer impacts of retaining Reactive Save?
- What are the consumer impacts of “banning” Reactive Save?
- What are the consumer impacts of retaining Reactive Save on a voluntary basis, such that consumers can choose whether or not they receive Reactive Save offers from their existing provider?

In terms of banning Reactive Save, we have focused on banning it where it results through automated channels. That is, prohibiting Reactive Save aimed at customers who use Auto Switch or GPL, rather than a complete ban on Reactive Save.

Our primary method consists of a new online survey, with two main elements:

- Survey questions about customers’ actual switching and search decisions, and the value they attach to alternative approaches (such as “banning” Reactive Save, or an “option mechanism”), in order to inform the direct consumer impacts of Reactive Save.
- A forward-looking experimental economics approach, whereby we examine how customers would behave under “Reactive Save”; “No Reactive Save” and “Optional Reactive Save”, in order to inform the indirect (competition) consumer impact of Reactive Save (i.e. to test whether consumer search behaviour and switching is higher or lower under the different options, all else equal).

3.2.1 Key design features and format of the online survey

The online survey was developed by Economic Insight, with the support of Hutchison 3G, and implemented by a third-party survey company. The survey was designed to take the respondent through their switching journey, and then ask questions about a hypothetical situation in which reforms to the switching process had been made. Specifically, the survey consisted of the following sections:

- » Section A: Profiling.
- » Section B: Past switching behaviour.
- » Section C: Preference and WTP for reforms.
- » Section D: Experimental approach.
- » Section E: Final questions.

Where suitable, our online survey has followed the approach taken by the previous consumer research commissioned by Ofcom in relation to mobile switching.¹⁶ In particular:

- where appropriate, we have used question wording and question structures from previous surveys; and
- we have used a similar sampling approach and sample sizes.

The purpose of these alignments is so that comparisons can easily be made between the results of this new survey and those relied upon by Ofcom in making its provisional decisions on reform options.

Respondents were sourced from Survey Sampling International's (SSI's) online panel, and the final sample sizes were:

- 3,000 mobile customers that had switched in the last 18 months; and
- 1,510 mobile customers that hadn't switched in the last 18 months.

No quotas or targets were set further to the above; and the sample was allowed to fall out naturally past this – in line with the main survey in BDRC (2017).¹⁷ Fieldwork took place between 29th August and 4th September 2017.

3.2.2 Survey questions relating to actual consumer behaviour and valuation of options

In order to calculate the direct impact of Reactive Save reforms, the first main element of our survey was designed to establish previous switching behaviour and willingness to pay for the potential reforms. In particular, it sought to establish the additional evidence required in terms of both the *number of customers* in each of the groups identified in our framework, and their *valuation* of Reactive Save (or a Reactive Save “ban”; or an optional approach).

Starting with previous customer behaviour, questions were asked in relation to:

- consideration of switching;
- approaches to searching (e.g. whether they had contacted their existing provider);
- whether they were a decided switcher;
- why they were a decided switcher;
- whether they were offered a Reactive Save offer; and
- when they had last switched provider.

The concepts of decided switcher and Reactive Save will not have been familiar to respondents, and therefore precisely how we asked questions related to these concepts is important. We thought carefully about the wording of these questions and how they would be interpreted by respondents. The full questionnaire is available in Annex A; but, for example, decided switchers were identified based on the following

¹⁶ *'Ofcom mobile switching quantitative research.'* BDRC for Ofcom (September 2016) and *'Mobile Switching: attitudes towards current and potential alternative processes.'* BDRC for Ofcom (May 2017).

¹⁷ *'Mobile Switching: attitudes towards current and potential alternative processes.'* BDRC for Ofcom (May 2017). The main survey was of 2,009 customers who had switched in the last 18 months. No quotas or targets were set, and the sample allowed to fall out naturally. No weighting was applied to the results.

statement relating to the time at which they contacted their old provider to tell them that they wanted to cancel and/or switch their service:

“I had made a final decision to switch provider and my previous provider could not have realistically said or done anything to have changed my decision.”¹⁸

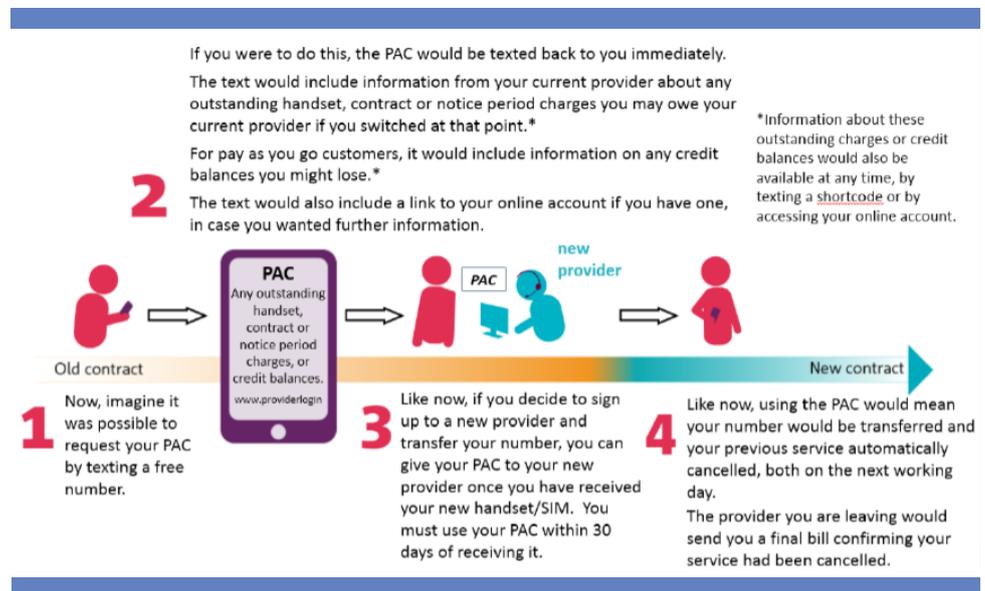
As a further example, the offering of Reactive Save deals to switchers was identified as those reporting, when they contacted their old provider to cancel and/or switch provider, that:

“Yes, my previous provider offered me another tariff or better deal to try to prevent me from switching.”¹⁹

Following on from the questions about previous switching experience, respondents were asked to imagine a scenario in which: (i) they have decided to switch provider and keep their existing number; and (ii) in addition to the existing switching process, there is an alternative process – where here the Auto Switch SMS process was presented. A description of both the current process and the alternative process were given to respondents, and then they were asked their likelihood to use the alternative instead of the current process.

This question, and the response options (based on a five-point scale ranging from “I definitely would” to “I definitely wouldn’t”) align with BDRC (2017). The main difference is in how the switching processes were explained to respondents. In BDRC (2017), the Auto Switch SMS process (for PAC switchers) was presented to respondents using the diagram below.

Figure 11: Presentation of Auto Switch SMS process in BDRC (2017)



Source: BDRC (2017)

In our survey, the Auto Switch SMS process was presented, next to the current process, as per the following diagram.

¹⁸ Question B8.

¹⁹ Question B10.

Figure 12: Presentation of Auto Switch SMS process in BDRC (2017)

Current process	Alternative process
<ul style="list-style-type: none"> You have to contact your existing provider and request a Porting Authorisation Code, or 'PAC'. You then give the PAC to your new provider. Providers typically ask you to phone them to receive your PAC. The service is free of charge. 	<ul style="list-style-type: none"> Similar to the existing process, you would require a PAC from your old provider to give to your new provider. However, under the alternative approach you would request your PAC by sending a text to a number, and your PAC would be texted back to you immediately. This service would be free of charge.

Source: *Economic Insight*

Whilst both approaches are accurate representations of the switching processes, our approach was designed to communicate the most pertinent aspects of the switching processes simply and efficiently. We wanted to avoid respondents misunderstanding the implications of the different switching processes, because Ofcom itself has raised concerns about respondents' understanding of the new processes as presented in BDRC (2017).²⁰

Following on from the above question, those respondents who indicated that they may use the Auto Switch process were asked their preference in relation to Reactive Save reform options. In addition to the allowing or banning of Reactive Save, we also tested opt-in/opt-out reform. Here, customers would have the choice as to whether their current provider could contact them with Reactive Save offers after the switching process had been initiated. This reform option would allow customers to self-select: those that wish to be contacted with Reactive Save offers could be; and those that would be harmed from attempts to persuade them not to switch wouldn't be contacted.

Specifically, respondents were asked the following question:

“Having requested your PAC by sending a text, the provider that you are leaving may want to contact you with “reactive offers” once you have requested the switch (a reactive offer could be a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider). You may receive up to 3 such offers, typically via a single telephone call. A call usually lasts around 7 minutes.

Which of the following would you prefer in this scenario?

- 1. I would prefer it if the provider I was leaving **did not contact me** with reactive offers*
- 2. I would prefer it if the provider I was leaving **did contact me** with reactive offers*

²⁰ *Annexes – Consumer Switching.* Ofcom (May 2017); paragraph A11.8.

3. *I would prefer to be given the **option** at the time. Here, the text message (or other communication) you receive containing your PAC will also ask whether you wish your existing provider to contact you with reactive offers. You will be asked to reply, free of charge, with a “Y” if you wish to be contacted and a “N” if you do not.”²¹*

To elicit respondents’ valuation of their preferred Reactive Save reform option, we subsequently asked willingness to pay questions. Whilst we have reservations about the robustness of such an approach, and do not necessarily advocate it as the best approach to valuing reforms, our methodology was chosen to align with that of BDRC (2017) – which Ofcom has relied on to calculate the impact of its proposed reforms. In particular:

- respondents were asked if they would be willing to pay different prices from a predefined list;
- the question was asked repeatedly, each time in relation to a price randomly drawn from the predefined list;
- if a respondent said that they definitely or probably wouldn’t pay a price, they weren’t asked about higher prices;
- if a respondent said that they definitely would pay a price, they weren’t asked about a lower price.

The predefined list of prices consisted of: 25p; 50p; £1; £2; £5; and £10.

In addition to asking respondents about their likelihood to use Auto Switch, at the very end of the survey we also asked their likelihood to use GPL, and their preference between Auto Switch and GPL.

THE EXPERIMENTAL
ECONOMICS ELEMENT OF
OUR RESEARCH WAS
DEVELOPED IN
CONJUNCTION WITH DR
DONNA HARRIS AT THE
UNIVERSITY OF OXFORD.

3.2.3 Experimental economics element of the survey

The second element of our survey is based on an experimental economics approach, where the primary purpose is to test the likely impact on “consumer search” and “consumer switching” of changes to Reactive Save. Our approach and method here were developed in conjunction with Dr Donna Harris at the University of Oxford, a leading expert in experimental research techniques.

A full copy of our survey is included in the Annex A to our report. However, the key features of the experiment are as follows:

- Firstly, all participants are asked questions about the propensity to engage in search and switching behaviours over the next 18 months. In particular, their:
 - likelihood to review and compare alternative providers;
 - likelihood to contact their existing provider to ask about better offers; and
 - likelihood to switch provider.
- Following this, participants were split, at random, into one of three groups and presented with three differing “frames” describing the switching process for changing mobile provider:

²¹ Question C2.

- » **“A control group”** – who were presented with a frame setting out the switching process under Auto-Switch, whereby existing providers will be able to continue using Reactive Save.
 - » **“Treatment Group A”** – who were presented with a frame setting out the switching process under Auto-Switch, whereby existing providers will not be able to continue using Reactive Save.
 - » **“Treatment Group B”** – who were presented with a frame setting out the switching process under Auto-Switch, whereby they could choose whether or not to allow existing providers to contact them with Reactive Save offers.
- Participants were then asked to re-answer the questions regarding their propensity to engage in search and switching behaviour over the next 18 months.

The structure of the experiment allows us to empirically test both: (i) whether knowledge and awareness of the switching processes itself affects search and switching propensity on a **before and after basis** – and whether this impact varies depending on whether Reactive Save is a feature of the switching process; and (ii) whether, **across the sample groups**, the presence of Reactive Save (or not) impacts search and switch propensity.

Here, our null hypotheses prior to analysing the results were that:

- The before and after approach may indicate customers are more willing to switch and / or engage in the market, once they have been made aware of the switching process (i.e. via the frames).
- However, the increase in switching propensity should vary across the treatment groups. Specifically, if Reactive Save in of itself impacts consumer behaviour, the increase in switching propensity should be less for respondents in the control group (i.e. their frame included the continuation of Reactive Save) relative to the other groups.

As with any experiment of this nature, the wording of the frames is very important – and so here, we worked closely with Dr Harris on order to ensure that the framing was appropriate to objectively answering the above research questions.

Below we show the frames as presented to participants in each of our three groups.

3.2.3.1 The control group frame – Auto-Switch where Reactive Save remains

“In the event that you decide to switch, the process requires you to firstly obtain your Porting Authorisation Code (PAC) from your existing provider and notify them of your intention to leave. You can do this either by: (i) text message; (ii) messaging via any online account you may have with your existing provider; or (iii) phoning your existing provider. In all cases, you receive your PAC code along with other relevant switching information, such as any outstanding payments on your existing contract. To complete the switch, you will then need to notify your ‘new’ provider of your PAC code – and once done, the switch will be “automatic” with no further action required from you.

One feature of this switching process is that your existing provider is able to contact you with “reactive offers” once you have requested the switch, regardless of whether you want to receive them (e.g. this reactive offer could be a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider). You may

receive up to 3 such offers, typically via a single telephone call. A call usually lasts around 7 minutes."

3.2.3.2 Treatment Group A frame – Auto-Switch with no Reactive Save

"In the event that you decide to switch, the process requires you to firstly obtain your Porting Authorisation Code (PAC) from your existing provider and notify them of your intention to leave. You can do this either by: (i) text message; (ii) messaging via any online account you may have with your existing provider; or (iii) phoning your existing provider. In all cases, you receive your PAC code along with other relevant switching information, such as any outstanding payments on your existing contract. To complete the switch, you will then need to notify your 'new' provider of your PAC code – and once done, the switch will be "automatic" with no further action required from you.

Your existing provider will not contact you with "reactive offers" (e.g. a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider) once you have requested the switch. However, you would remain free to pro-actively ask your exiting provider whether they can offer an improved price, either as part of your initial search activity to inform your decision to switch, or subsequently."

3.2.3.3 Treatment Group B frame - Auto-Switch where Reactive Save is optional for consumers to decide

"In the event that you decide to switch, the process requires you to firstly obtain your Porting Authorisation Code (PAC) from your existing provider and notify them of your intention to leave. You can do this either by: (i) text message; (ii) messaging via any online account you may have with your existing provider; or (iii) phoning your existing provider. In all cases, you receive your PAC code along with other relevant switching information, such as any outstanding payments on your existing contract. To complete the switch, you will then need to notify your 'new' provider of your PAC code – and once done, the switch will be "automatic" with no further action required from you.

At the time at which you instigate the PAC request, the text message (or other communication) you receive containing your PAC will also ask whether you wish your existing provider to contact you with "reactive offers" (e.g. a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider). You will be asked to reply, free of charge, with a "Y" if you wish to be contacted and a "N" if you do not.

If you reply with a "Y", you may receive up to 3 reactive offers from your existing supplier, typically via a single telephone call. A call usually lasts around 7 minutes.

Even if you reply with a "N", so that your existing provider does not contact you, you would remain free to pro-actively ask your exiting provider whether they can offer an improved price, either as part of your initial search activity to inform your decision to switch, or subsequently."



4. Analysis of consumer impacts

Our analysis of the survey results shows that the direct impact of banning Reactive Save is likely to be an increase in consumer welfare. Furthermore, we find that an approach whereby Reactive Save is “optional” increases consumer welfare by an even greater amount.

4.1 Survey results

In this section, we summarise the results of our new survey and research. Further results can be found in Annex B to this report. In the following, we include the most pertinent findings, organised around four issues:

- Evidence on existing search and switching behaviour.
- Evidence on consumer preferences and willingness to pay relating to future Reactive Save options.
- Evidence on consumer related competition impacts of Reactive Save.
- Evidence on consumer preferences between Auto Switch and GPL.

4.1.1 Existing search and switching behaviour within our sample

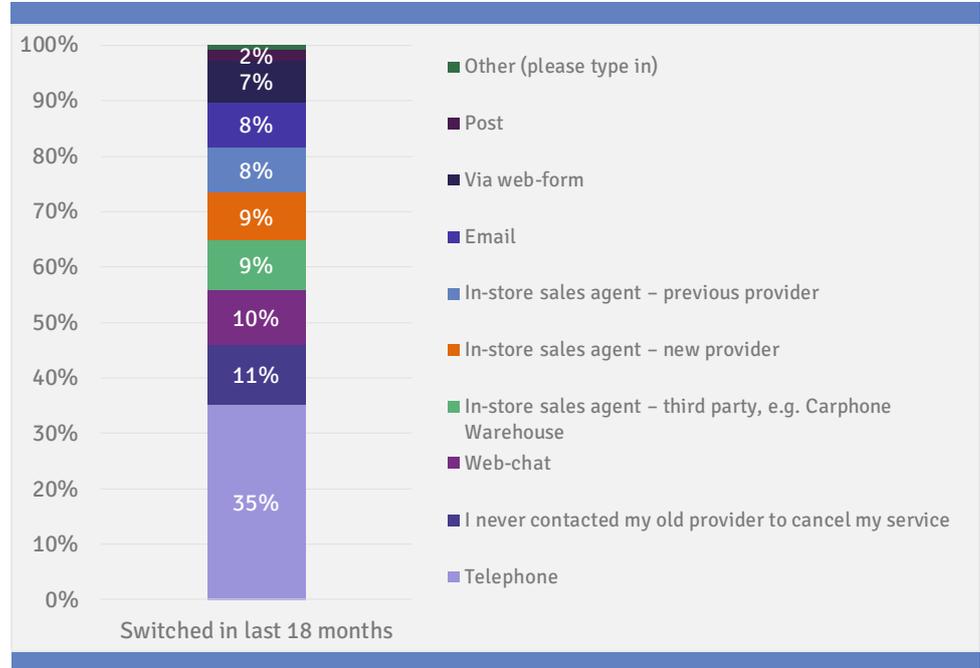
The results of this aspect of our survey are presented in relation to the different customer groups identified in our framework. We focus on how we have calculated the relative size of groups A, B, E and F from our framework.

4.1.1.1 Actual switchers

As shown in the following figure, the most common method that switchers used to contact their losing provider to inform them that they wished to cancel and/or switch provider was by telephone (35%). This was then followed by web-chat (10%) and various types of in-store sales agents (totalling 26%). 11% of respondents stated that

they did not contact their old provider.²² Those that did not contact their losing provider cannot have been offered a Reactive Save deal, and therefore subsequently weren't asked if they were.

Figure 13: Method of contacting losing provider

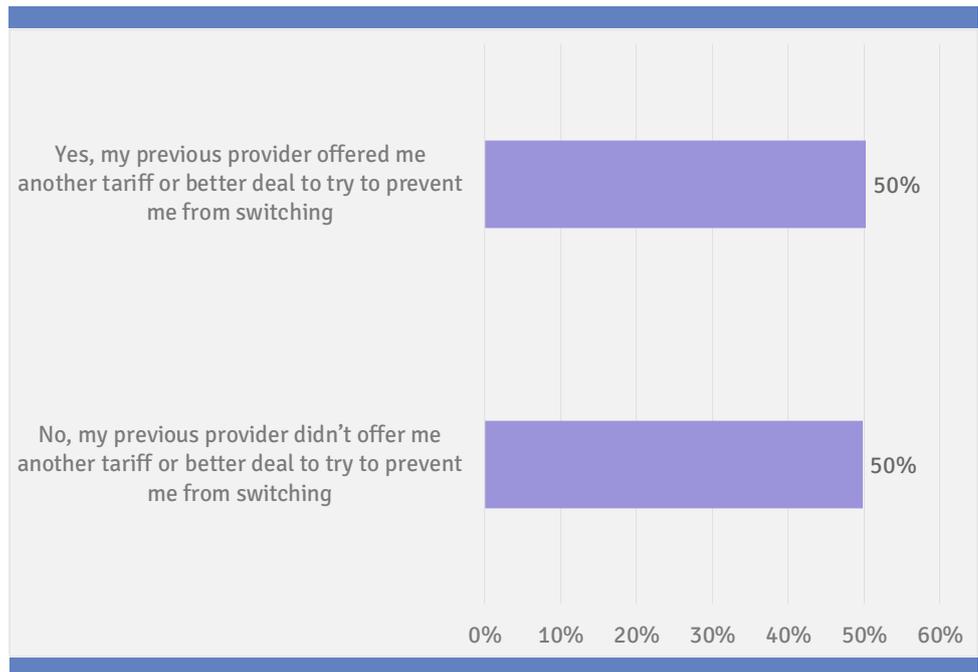


Source: B7 Thinking about the last time you switched mobile network provider, how did you contact your old provider to tell them that you wanted to cancel your service and/or switch provider? Base size: 2,878 switchers (excluding don't knows)

Figure 14 shows that 50% of switchers that contacted their losing provider to cancel and/or switch provider reported being offered a Reactive Save deal.

²² The majority of these respondents switched from a pay-as-you-go package, and therefore may simply have stopped using their old SIM and not contacted their old provider to cancel their old service.

Figure 14: Proportion of switchers offered Reactive Save deal

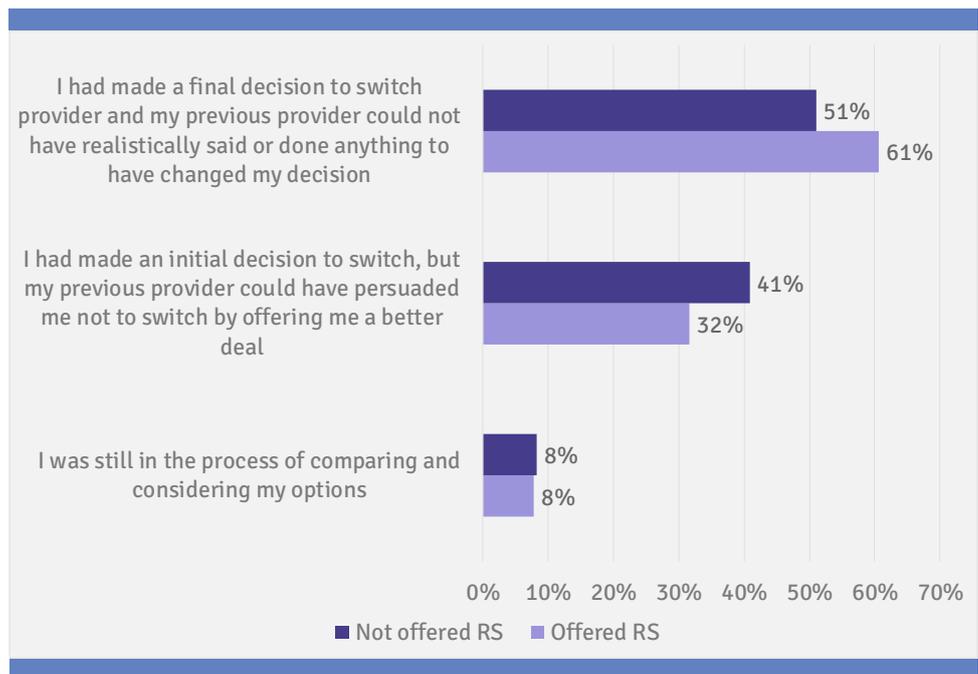


Source: B10 When you contacted your old provider to tell them that you wanted to cancel your service and/or switch provider, did they try to stop you from switching by offering you another tariff or better deal? Base size: 2,415 switchers that had contacted their old provider to cancel/switch (excluding don't knows)

61% OF SWITCHERS THAT WERE OFFERED A REACTIVE SAVE DEAL WERE DECIDED SWITCHERS

As shown in Figure 15, of those that were offered a Reactive Save deal, 61% reported being decided switchers. That is, they said that they had made their final decision to switch before they contacted their losing provider, and there was nothing their losing provider could have realistically done to change their mind.

Figure 15: Proportion of switchers that are decided switchers



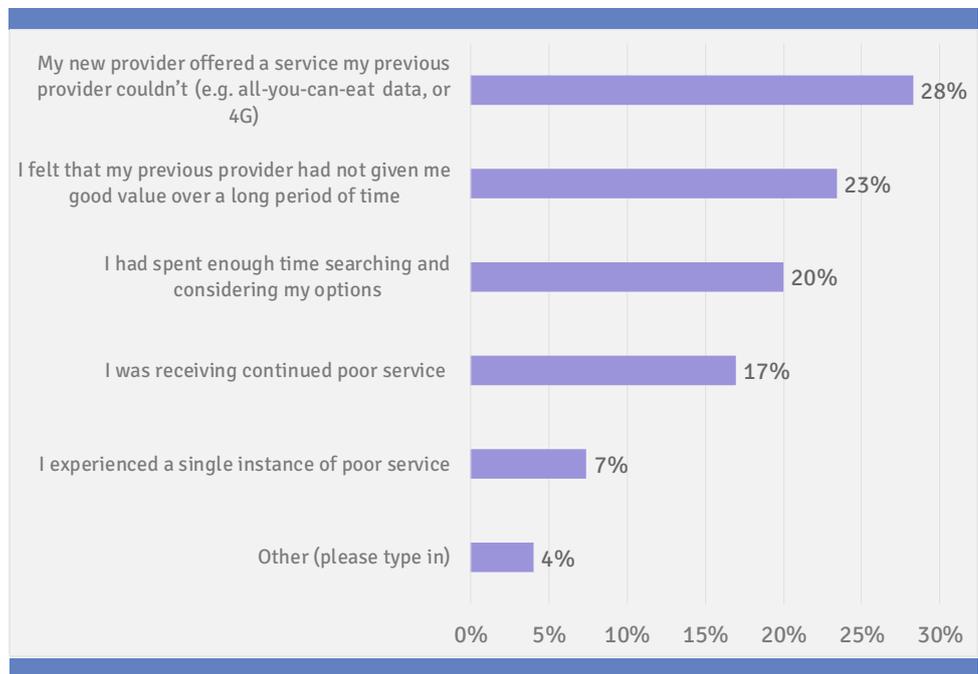
Source: B8 At the point at which you contacted your old provider to tell them that you wanted to cancel your service and/or switch provider, which of the following best describes you?; and B10. Base sizes: 1,173 offered RS, 1,159 not offered RS (excluding don't knows)

Decided switchers reported a number of reasons as to why they could not have been persuaded by their losing provider not to switch. In particular, and as shown in the following figure, reasons included:

- that their new provider was offering a service their old provider couldn't (28%);
- that they felt that they had received poor value over a long period of time (23%);
- that they had spent enough time searching (20%); and
- that they had been receiving continued poor service (17%).

Relatively few respondents reported being decided switchers because of a single instance of poor service (7%).

Figure 16: Reasons given for being decided switchers



Source: B9 Which of the following best describes why your previous provider could not have realistically changed your decision? Base size: 1,351 decided switchers (excluding don't knows)

Based on the above results, we have calculated the proportion of switchers that fall into Group A and Group B from our framework. As set out in the table below, we estimate that **27%** of actual switchers are decided switchers who are offered Reactive Save (Group A) and **18%** are persuadable switchers who are offered Reactive Save (Group B).

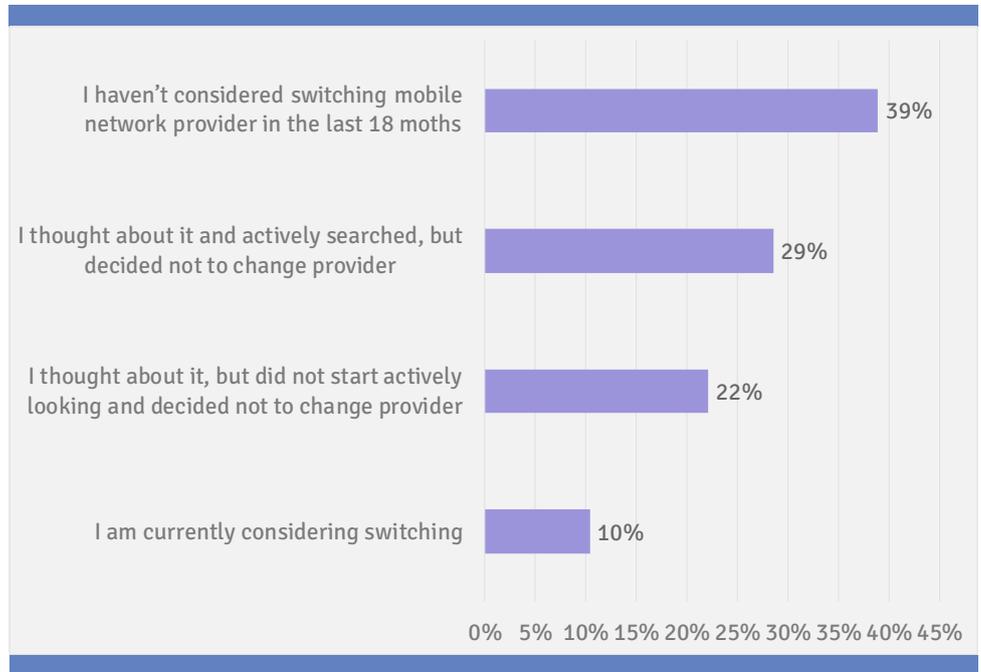
Table 3: Proportion of switchers in Group A and Group B

		%	Source
[1]	Proportion of switchers that contacted their losing provider	89%	Question B7
[2]	Proportion of switchers that contacted their losing provider that were offered a Reactive Save deal	50%	Question B10
[3]	Proportion of switchers that were offered a Reactive Save deal that were decided switchers	61%	Questions B10 and B8
	Proportion of switchers in Group A	27%	[1] * [2] * [3]
	Proportion of switchers in Group B	18%	[1] * [2] * (1-[3])

4.1.1.3 Active considers

As per the figure below, 29% of all our respondents who hadn't switched in the last 18 months were active considerers. These individuals had thought about switching and actively searched, but decided not to switch.

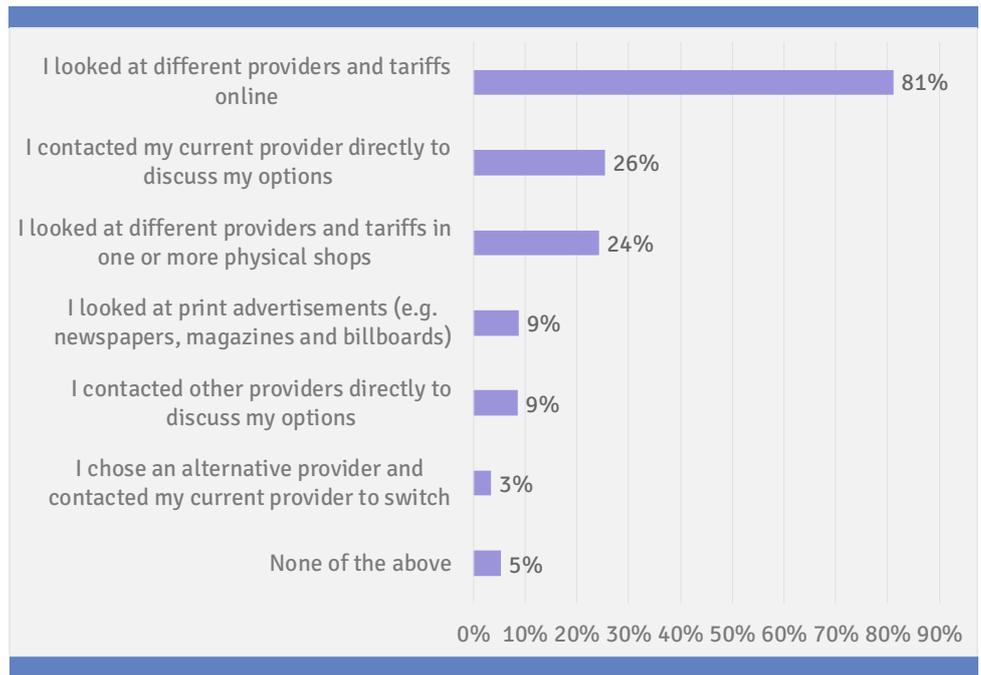
Figure 17: Consideration behaviour of non-switchers



Source: B1 Which of the following best describes whether you have considered changing mobile network provider in the last 18 months? Base size: 1,510 non-switchers

Figure 18 shows that, of those that actively searched, the most popular method was looking at different providers and tariffs online (81%). 26% contacted their current provider to discuss options, and 3% chose an alternative provider and contacted their current provider to switch – both of these groups of customers contacted their provider and could therefore have been offered a Reactive Save deal.

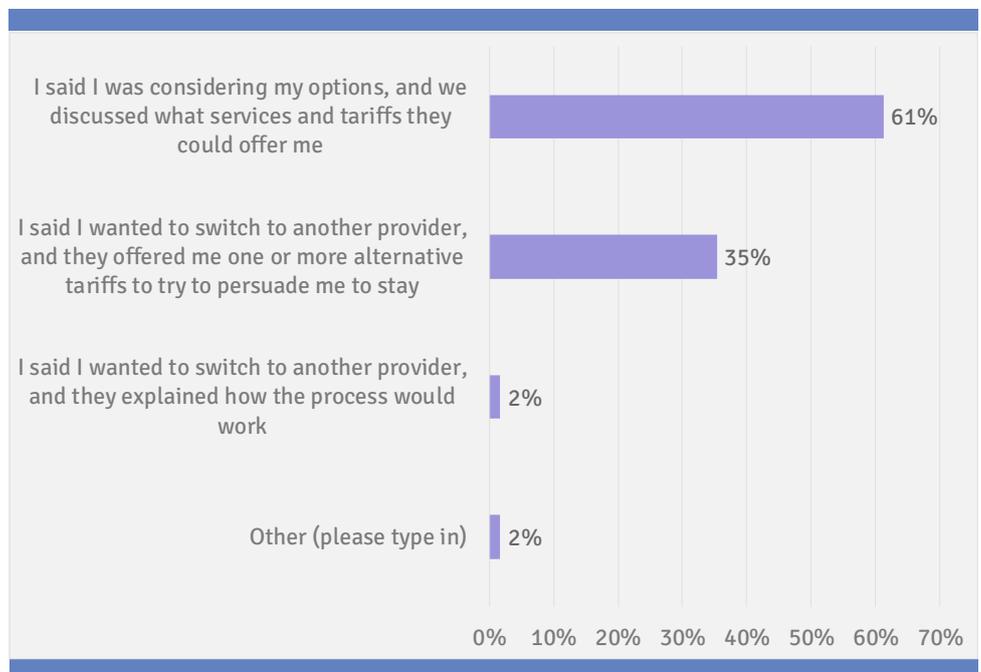
Figure 18: Search approach of active considerers



Source: As part of your searching, which of the following did you do? Please select all that apply
 Base size: 431

Figure 19 shows that of those that contacted their current provider, 35% told their provider that they wanted to switch, and were offered a Reactive Save deal.

Figure 19: Nature of contact

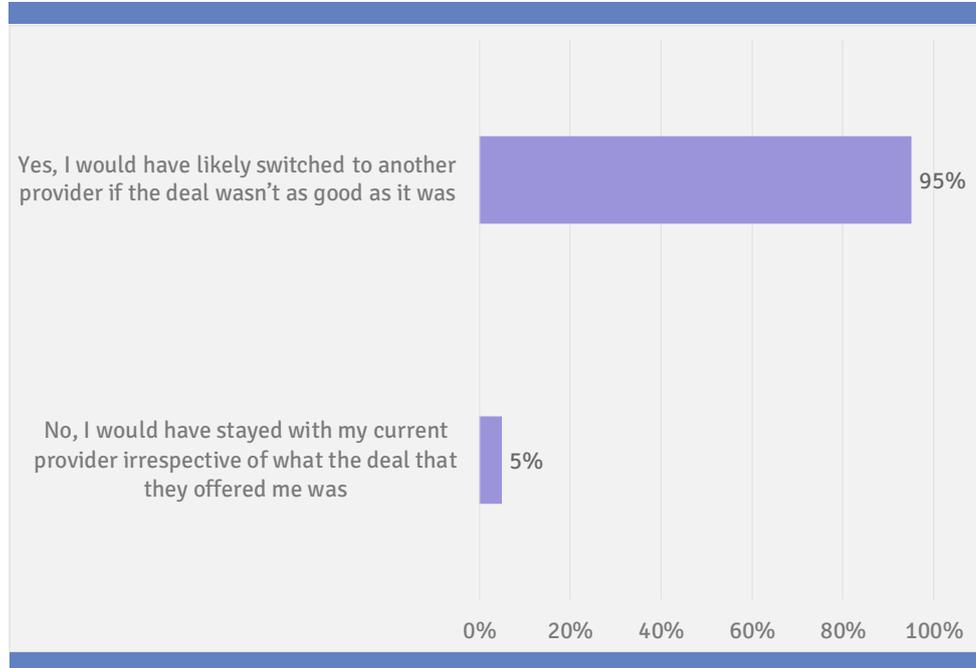


Source: B3 Which of the following best describes what you said to your current provider when you contacted them and how they reacted? Base size: 116 (excluding don't knows)

Subsequently, as shown below, the vast majority (95%) of those that were offered a Reactive Save deal said that they would have likely switched if the deal wasn't as good as it was. Hence, these are persuadable remainers. 5% said that they would have

likely stayed with their current provider irrespective of the Reactive Save offer, and are therefore decided remainers. It should be noted that the base size for this question is low (41), and therefore the results lack robustness.

Figure 20: Decided or persuadable remainers



Source: B5 Could such a different tariff / deal, in principle, have affected your decision to stay?
Base size: 41

Based on these results, we have calculated the proportion of switchers that fall into Group E and Group F from our framework. As set out in the table below, we estimate that a very small fraction – **0.5%** – of active considerers are offered Reactive Save and are decided remainers (Group E), and **10%** are offered Reactive Save and are persuadable remainers (Group F). These proportions have been calculated as shown in the table below.

Table 4: Proportion of switchers in Group E and Group F

		%	Source
[1]	Proportion of active considerers that contacted their existing provider	29%	Question B2
[2]	Proportion of those that contacted existing provider that were offered Reactive Save deal	35%	Question B3
[3]	Proportion of those offered Reactive Save deal decided remainers	5%	Question B5
	Proportion of active considerers in Group E	0.5%	[1] * [2] * [3]
	Proportion of active considerers in Group F	10%	[1] * [2] * (1-[3])

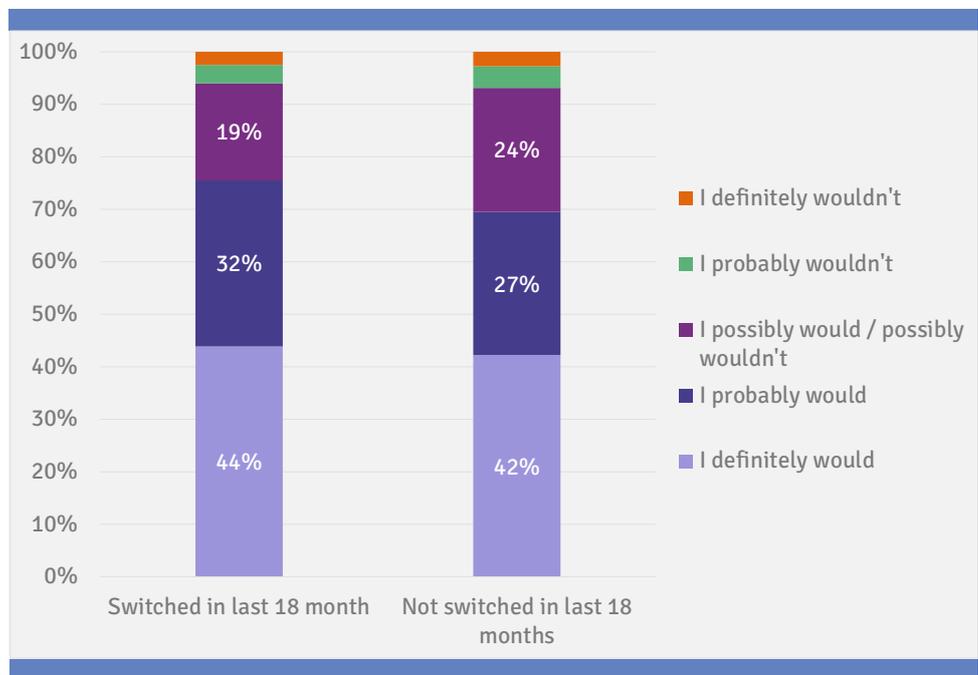
Source: Economic Insight

Given the very low estimated size of Group E, and that fact that there were only 2 respondents in our survey in this group, we do not present further results for this group and assume the effect of Reactive Save is negligible for them. Notably, there are only 39 respondents in our sample that fall into Group F – and therefore the robustness of results for this group is significantly less than those for groups A and B.

4.1.2 Preferences and willingness to pay for alternative future options for Reactive Save

Before respondents were asked about their preferences for Reactive Save, they were first asked their likelihood to use a reformed switching process – in particular, Auto Switch SMS. As shown in the chart below, the large majority of both switchers (76%) and non-switchers (69%) said that they would either ‘definitely’ or ‘probably’ use the new process.

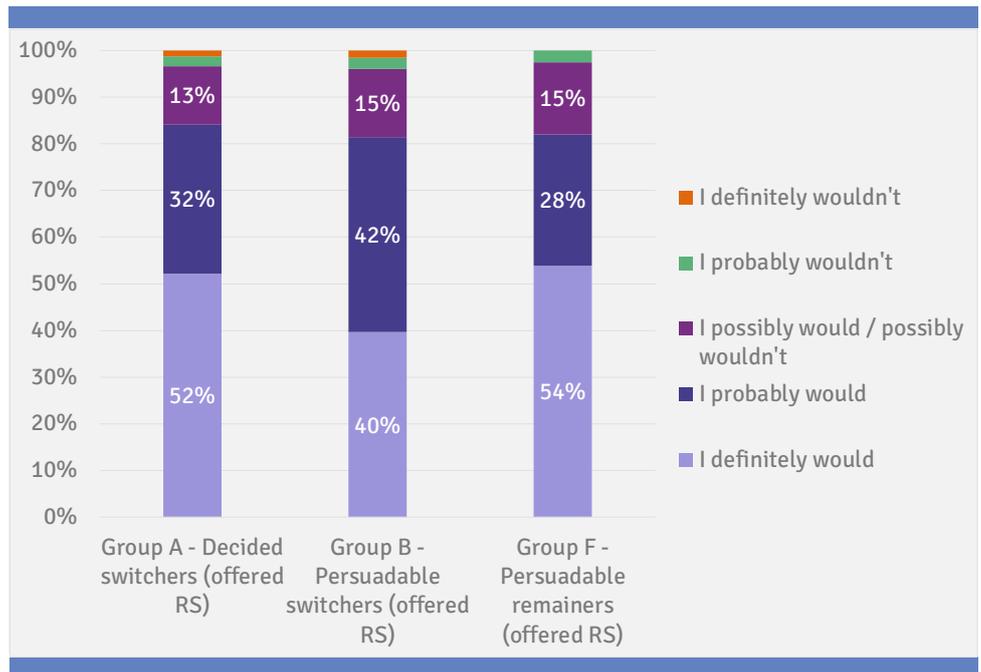
Figure 21: Likelihood to use Auto Switch SMS – switchers and non-switchers



Source: C1 Continuing to imagine that you have decided to switch and keep your mobile phone number, how likely would you be to request your PAC by sending a text, rather than the current process? Base sizes 3,000 switchers, 1,510 non-switchers

Likely up-take within our framework groups is also high, with the proportion that ‘definitely’ or ‘probably’ would use Auto Switch at 84% among Group A, 81% among Group B, and 82% among Group F – as shown in the following figure.

Figure 22: Likelihood to use Auto Switch SMS – key framework groups

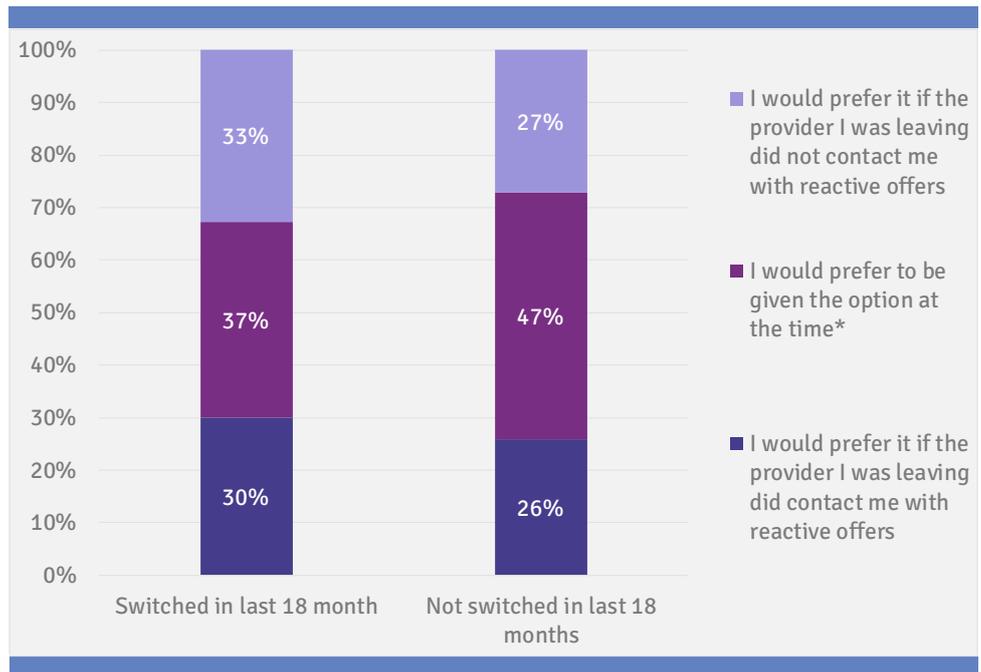


Source: C1 Continuing to imagine that you have decided to switch and keep your mobile phone number, how likely would you be to request your PAC by sending a text, rather than the current process? Base size: Group A 711; Group B 462; Group F 39. Note, reported sums in the text may not appear to exactly match the chart due to rounding.

Respondents that said they ‘definitely’, ‘probably’ or ‘possibly would / possibly wouldn’t’ use the reformed switching process, were asked their preference in terms of being contacted by their losing provider with Reactive Save offers.

As is discussed in section 3.2.2, respondents were given the choice between being contacted, not being contacted, or having the choice at the time. As is shown in Figure 23, across both switchers and non-switchers, the option mechanism was favoured by the greatest proportion (by 37% and 47% respectively). Furthermore, the second most favoured reform was a ban on Reactive Save.

Figure 23: Preference for Reactive Save reforms – switchers and non-switchers



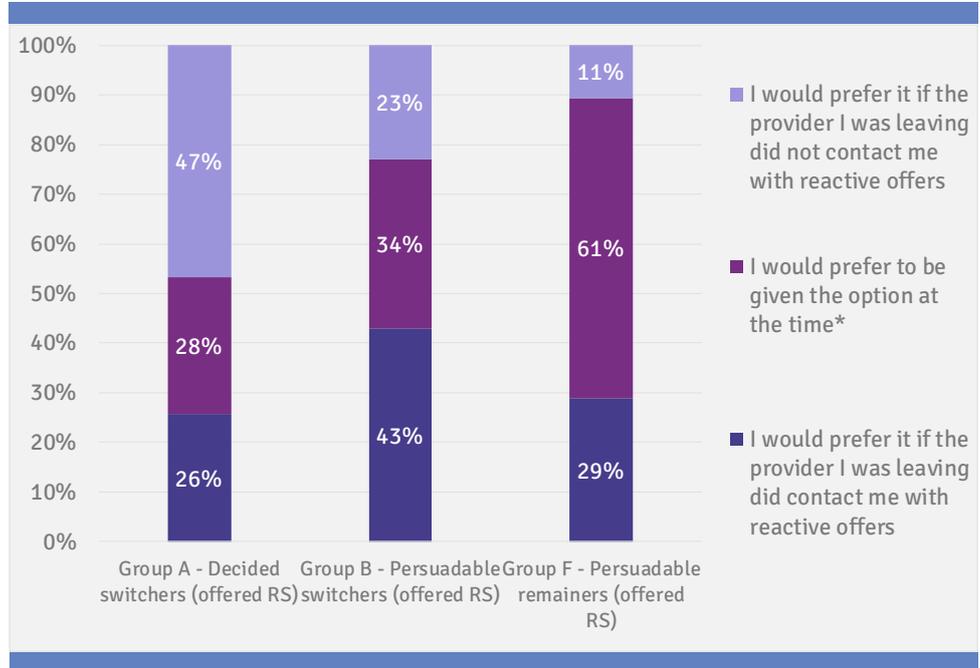
Source: C2 Having requested your PAC by sending a text, the provider that you are leaving may want to contact you with "reactive offers" once you have requested the switch (a reactive offer could be a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider). You may receive up to 3 such offers, typically via a single telephone call. A call usually lasts around 7 minutes. *Response wording also included "Here, the text message (or other communication) you receive containing your PAC will also ask whether you wish your existing provider to contact you with reactive offers. You will be asked to reply, free of charge, with a "Y" if you wish to be contacted and a "N" if you do not." Base size: 2,822 switchers, 1,407 non-switchers

In relation to our framework groups, and as shown in Figure 24:

- Decided switchers that were offered a Reactive Save deal (Group A) were most likely to prefer not being contacted by their losing provider (47%). A proportion preferred the option mechanism (28%), the remainder preferred to be contacted (26%). Whilst in theory there is little reason for a decided switcher to want to be contacted by their losing provider, we suggest this latter result has arisen because respondents have been categorised in relation to the previous behaviour and then asked their preference in relation to a hypothetical future scenario. That is, a respondent may have been a decided switcher last time they switched, but if they were to switch again they may be a persuadable switcher and welcome a Reactive Save offer.
- Persuadable switchers that were offered a Reactive save deal (Group B) were most likely to prefer being contacted by their losing provider (43%). The second most favourable reform was the option mechanism (34%), and a significant proportion also favoured not being contacted (23%) – this is in spite of them being receptive to Reactive Save offers the last time they switched. This could be because they learnt through their previous experience of Reactive Save that being contacted with Reactive Save offers is detrimental to them e.g. the hassle was costlier than they expected.
- Persuadable remainers that were offered a Reactive Save deal (Group F) were most likely to prefer the option mechanism (61%), followed by being contacted

(29%), and then not being contacted (11%). This group previously accepted a Reactive Save offer, but aren't overwhelming in favour of receiving future Reactive Save offers.

Figure 24: Preference for Reactive Save reforms – key framework groups



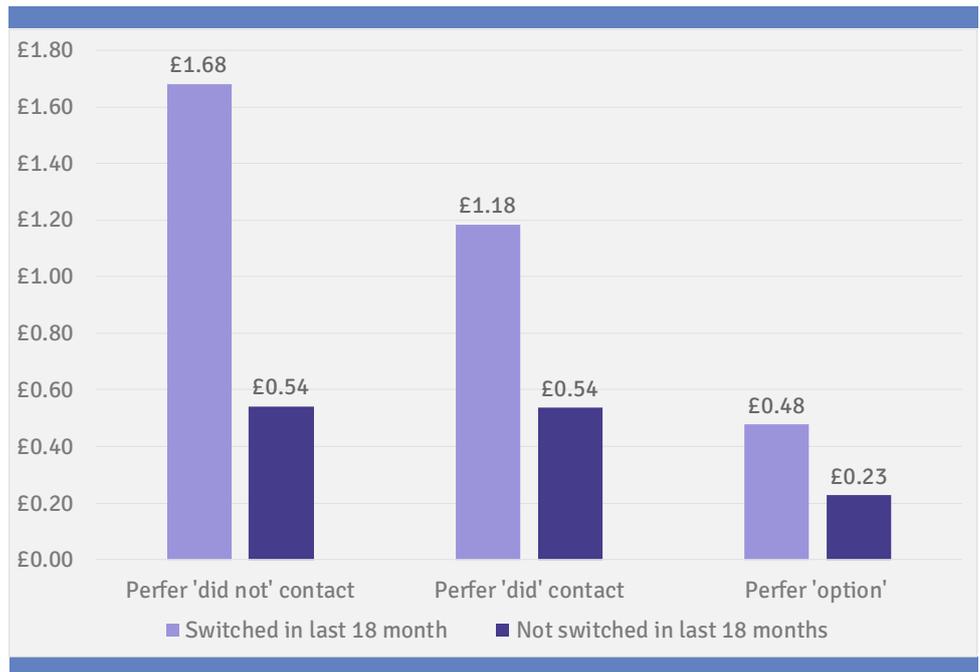
Source: C2 (see above). Base size: Group A 687; Group B 444; Group F 38

After giving their preference for the potential reforms, respondents were then asked their willingness to pay for their preferred option. As discussed previously, this exercise followed the approach of BDRC (2017). As is shown in the following figure:

AMONG SWITCHERS, AVERAGE VALUATIONS ARE HIGHER FOR THOSE THAT WOULD NOT WANT TO BE CONTACTED (£1.68) THAN THOSE THAT WOULD WANT TO BE CONTACTED (£1.18). IN EFFECT, THOSE THAT DO NOT WISH TO BE CONTACTED FEEL MORE STRONGLY ABOUT IT THAN THOSE THAT DO WISH TO BE CONTACTED

- Switchers have higher average valuations for all of the reform options compared to non-switchers. It is understandable that those more likely to use the process value it more.
- Among switchers, average valuations are higher for those that would not want to be contacted (£1.68) than those that would want to be contacted (£1.18). In effect, **those that do not wish to be contacted feel more strongly about the issue than those that do wish to be contacted.**
- For both switchers and non-switchers, those that would prefer to be contacted or not to be contacted valued them more than those that prefer the option mechanism.

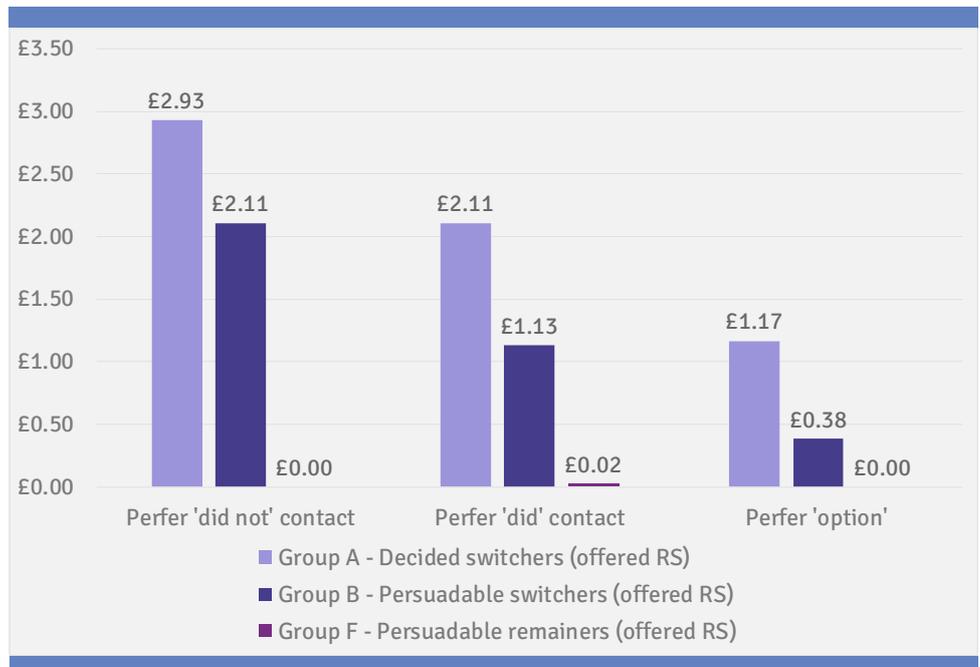
Figure 25: 'Definite' WTP for preferred option



Source: C3 Would you be will willing to pay £x [for preference]? Base size: 2,822 switchers, 1,407 non-switchers

As can be seen in Figure 26, a similar pattern is seen within our groups of interest, although average valuations vary more significantly. Most notably, those that prefer not being contacted value it on average more than those that prefer to be contacted value it on average.

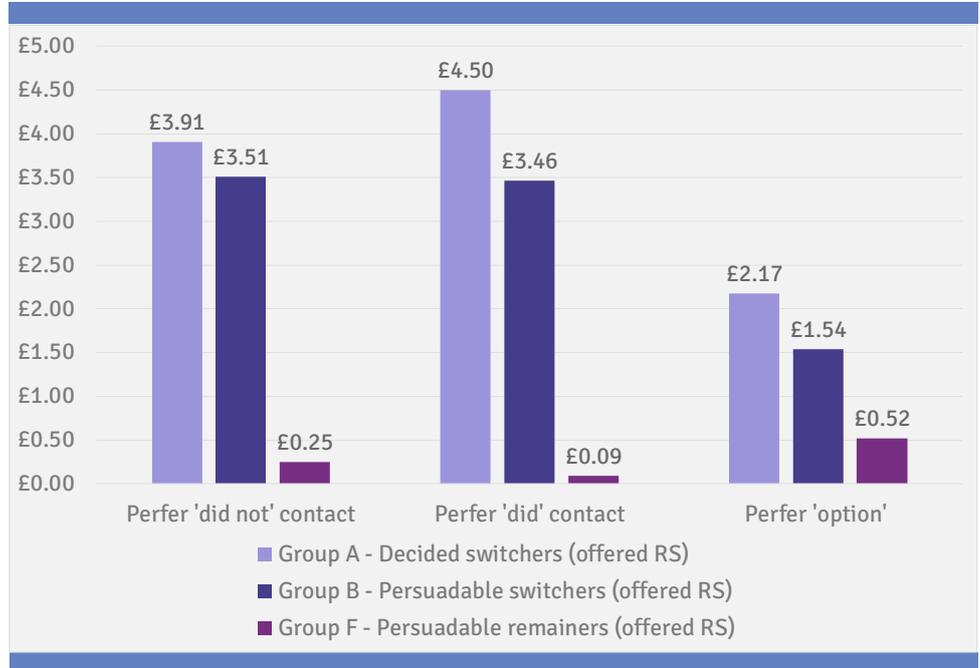
Figure 26: 'Definite' WTP for preferred option – groups of interest



Source: C3 Would you be will willing to pay £x [for preference]? Base size: Group A 687; Group B 444; Group F 38

In addition to the above results, for the purpose of modelling impact the figure below shows the average WTP that respondents reported as either ‘definitely’ or ‘probably’ willing to pay.²³

Figure 27: ‘Definite’ or ‘probably’ WTP for preferred option – groups of interest



Source: C3 Would you be will willing to pay £x [for preference]? Base size: Group A 687; Group B 444; Group F 38

The relative number of respondents who preferred each of the options should also be kept in mind. For example, about twice as many respondents in Group A would prefer not to be contacted than those that would prefer to be contacted (see Figure 24). Furthermore, Ofcom suggest that ‘definitely’ WTP results may be more accurate due to the risk of ‘probably’ WTP results suffering from ‘hypothetical bias’.²⁴

²³ The highest value that each respondent said that they were probably willing to pay was taken. Where a respondent didn't say they were probably willing to pay any value (e.g. where they said they were definitely willing to pay all values), the highest value that they said they were definitely willing to pay was taken instead. This is consistent with Ofcom's analysis of the WTP questions.
²⁴ See paragraph 5.41 of Ofcom's May 2017 consultation document.

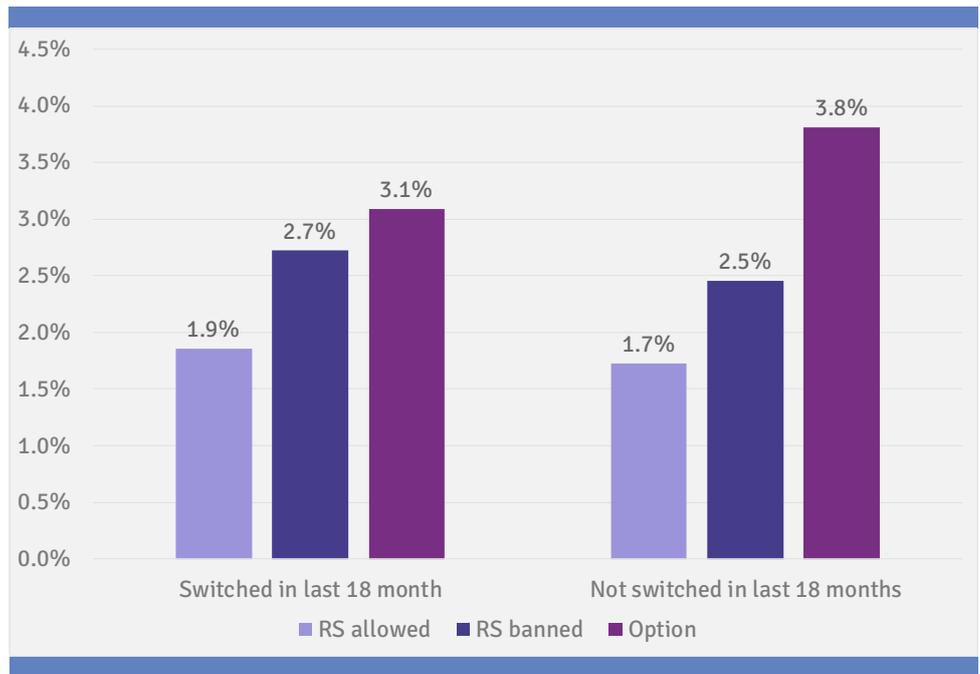
4.1.3 Consumer related competition impacts of Reactive Save identified in our experiment

To assess the effect of the different treatments within the experiment we have compared the reported likelihood to switch before and after seeing the treatments, within the different treatment groups. This gives an estimate of the average treatment effect of the potential Reactive Save reforms.

As can be seen below, after seeing the full details of the switching process (i.e. the treatments), average reported switching likelihood increases across switchers and non-switchers, and across all three treatments. This suggests that once customers are fully informed, they are more likely to switch.

Importantly, the order of the average treatment effects is directionally consistent with a ban on Reactive Save increasing switching activity, and implementing the option mechanism increasing switching even more. It should be noted however, that the average treatment effects are relatively small and unlikely to be statistically significant.

Figure 28: Average treatment effect on switching likelihood



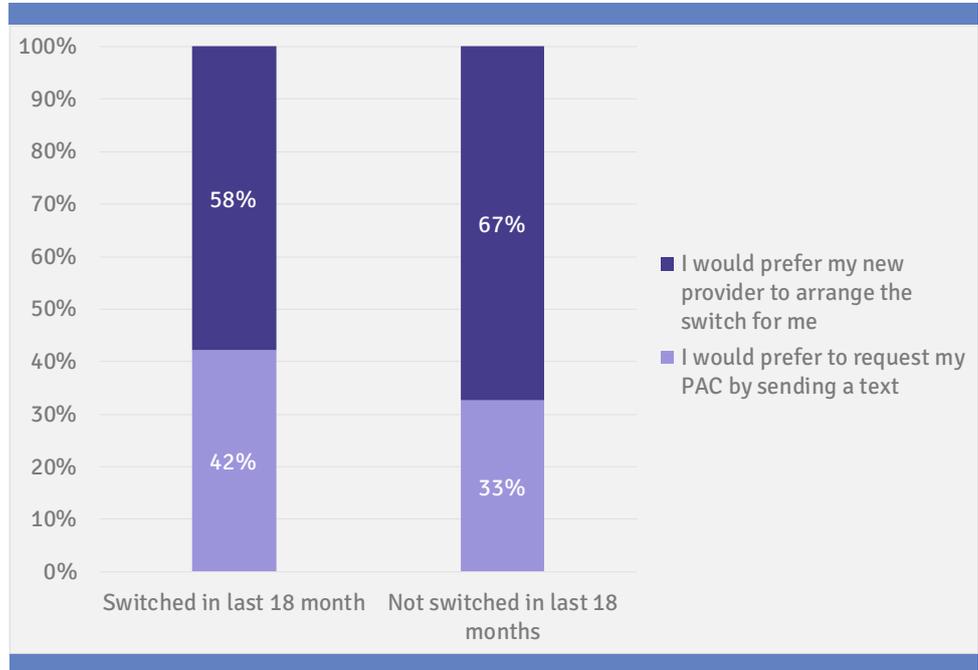
Source: D3 How likely are you to switch provider during the next 18 months?; and D7 Bearing in mind the switching process we have just asked you to imagine, how likely are you to actively review and compare alternative mobile phone offers during the next 18 months? Base sizes: 3,000 switchers, 1,510 non-switchers

Further results are shown in Appendix B, but no significant results arise.

4.1.4 Preferences for Auto Switch and GPL

Our survey also asked respondents about their likelihood to use both Auto Switch (SMS) and GPL, and their preference between the two alternative reforms. As shown below, 58% of switchers and 67% of non-switchers preferred GPL to Auto Switch.

Figure 29: Preference between Auto Switch and GPL



Source: E6 Finally, just to be clear, if only one of the alternative approaches could be introduced (see the table below for a summary of the processes), which one would you prefer? Base sizes: 3,000 switchers, 1,510 non-switchers

However, as is shown in Appendix B, the results from the two likelihood questions (C1 and E5) were not consistent with the above. That is, the proportion of respondents who said that they would be likely to use Auto Switch was higher than those that said they were likely to use GPL. We believe that the results from the question presented above are a more accurate reflection of preferences between the two reforms as they were presented side-by-side. That is, asking respondents their preference between two options shown side-by-side is often more accurate than comparing responses to questions that separately ask views on the options. The inconsistency between the results of the different questions also highlights that the framing of questions can have a material effect on responses and the conclusions that they point to.

4.2 Assessment of consumer impacts of Reactive Save

As set out in section 3.1, our calculation of the consumer impacts of Reactive Save is divided between the direct and the indirect competition effects.

4.2.1 Direct impact of banning Reactive Save

Reflecting both the uncertainty of the impacts of Reactive Save and the methodological approaches taken by Ofcom in estimating the impact of reforms, we also calculate the direct impact of a Reactive Save ban through a number of approaches. In particular, we estimate the impact through a ‘time value’ approach and an ‘intrinsic value’ approach. Before detailing the results of these approaches, there are two common steps to the calculations that we first set out.

4.2.1.1 Absolute size of customer groups

To calculate the size of the customer groups of relevance to the calculation of the direct impact of Reactive Save we have drawn on both evidence used by Ofcom in the consultation and our survey.

As detailed in the table below, we have first calculated the size of the groups in total, and then the number within each group that is likely to use a reformed switching process. Notably, our calculations focus on the impact of Reactive Save resulting from customers contacting their old provider through the reformed switching processes, and not those customers who would contact their losing provider by phone as per the current system.

Table 5: Number of customers in groups A and B directly affected by Reactive Save ban

			Source
[1]	Annual number of switchers (m)	5.12	Figure A10.1, Ofcom May 2017 consultation annex ²⁵
[2]	Proportion of switchers in Group A	27%	Survey, see Table 3
[3]	Proportion of switchers in Group B	18%	Survey, see Table 3
[4]	Number of customers annually in Group A (m)	1.39	[1] * [2]
[5]	Number of customers annually in Group B (m)	0.90	[1] * [3]
[6]	Proportion of Group A definitely or likely to use reformed switching process	84%	Survey, see Figure 22
[7]	Proportion of Group B definitely or likely to use reformed switching process	81%	Survey, see Figure 24
[8]	Number of customers annually in Group A directly affected by RS (m)	1.17	[4] * [6]

²⁵ *Annexes 5-12 – Proposals to reform switching of mobile communications services.*, Ofcom, May 2017.

[9]	Number of customers annually in Group B directly affected by RS (m)	0.74	[5] * [7]
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Table 6: Number of customers in groups E and F directly affected by Reactive Save ban

			Source
[1]	Annual number of switchers (m)	5.12	Figure A10.1, Ofcom May 2017 consultation annex ²⁶
[2]	Proportion of consumers that switched in the last 12 months	11%	BDRC 2016, slide 7 (switched in the last 6 months plus switched 7-12 months ago) ²⁷
[3]	Proportion of consumers that considered and actively started looking but decided not to change provider in the last 12 months	3%	BDRC 2016, slide 5 ²⁸
[4]	Number of annual active considerers (m)	1.40	[1] * ([3]/[2])
[5]	Proportion of active considerers in Group E	0.5%	Survey, see Table 4
[6]	Proportion of active considerers in Group F	10%	Survey, see Table 4
[7]	Number of customers annually in Group E (m)	0.01	[4] * [5]
[8]	Number of customers annually in Group F (m)	0.14	[4] * [6]
[9]	Proportion of Group E definitely or likely to use reformed switching process	N/A	Group assumed negligible
[10]	Proportion of Group F definitely or likely to use reformed switching process	82%	Survey, see Figure 22
[11]	Number of customers annually in Group E directly affected by RS (m)	0.00	Assumed negligible
[12]	Number of customers annually in Group F directly affected by RS (m)	0.11	[8] * [10]

Source: *Economic Insight*

4.2.1.2 Savings from accepting a Reactive Save offer

In terms of the direct effect of a Reactive Save ban, customers who would otherwise accept a Reactive Save offer will not benefit from this reduction in tariff price. We do not consider the direct impact the fact that customers may seek out these discounts through other channels (i.e. other save offers). This is a conservative assumption.

For the purposes of our impact calculations, we assume that those who accepted a Reactive Save offer benefited from a £1 per month reduction in their tariff relative to the tariff they would have switched to. Importantly, this consumer loss has to be the incremental difference between the tariff they would have switched to and the

²⁶ *'Annexes 5-12 – Proposals to reform switching of mobile communications services.'* Ofcom, May 2017.

²⁷ *'Ofcom mobile switching quantitative research.'* BDRC for Ofcom, September 2016.

²⁸ *'Ofcom mobile switching quantitative research.'* BDRC for Ofcom, September 2016.

Reactive Save deal they accepted – and not the absolute discount the customer received.

The assumption of £1 per month is based on [3<].²⁹ [3<]. Therefore, it is likely that any accepted Reactive Save deals are only ‘marginally’ cheaper than the tariff the customer would have switched to.

Based on our assumption, those customers that would have otherwise been offered, and accepted, a Reactive Save deal, will lose £12 on an annual basis.

4.2.1.3 Direct impact of a Reactive Save ban – time value approach

Consistent with Ofcom’s “time savings” approach, we have estimated the direct impact of a Reactive Save ban by valuing the reduction in time spent switching as a result of providers not being able to contact customers after they have initiated a switch. From this ‘positive’ consumer welfare effect, we subtract the loss of savings from accepting a Reactive Save tariff.

We assume that if Reactive Save is not banned, each of the customers in our key groups would receive a call lasting 7 minutes. This assumption is based the fact that Ofcom estimates the call time saving from the process reforms is 7.7 minutes for PAC switchers and 7.4 minutes for C&R switchers.³⁰ Our 7-minute assumption is also consistent with [3<].

Further consistent with Ofcom’s approach, we use the Department for Transport’s value of non-working time to value the time saved. As shown in the table below, we estimate that a banning of Reactive Save would result in a time saving benefit of £0.64 per year for each person that would otherwise receive a Reactive Save offer.

Table 7: Time cost saving per person of banning Reactive Save

			Source
[1]	Length of Reactive Save call (minutes)	7	Assumption
[2]	Value of non-working time (£ per hour)	£5.51	Department for Transport’s value of non-working time ³¹
[3]	Time cost saving per person of banning Reactive Save	£0.64	([2]/60) * [1]

Source: *Economic Insight*

Our estimate of the direct impact of a Reactive Save ban is calculated by multiplying the number of customers affected in each group by the above time cost savings and loss from accepting a Reactive Save deal. The results of this approach are detailed in the table below.

²⁹ [3<]

³⁰ Paragraph A10.36 ‘Annexes 5-12 – Proposals to reform switching of mobile communications services,’ Ofcom, May 2017.

³¹ See footnote 172 of Ofcom’s May 2017 consultation document.

Table 8: Direct impact of banning Reactive Save – time value approach

	Time cost saving	Loss of cheaper tariff	Total impact (£m per year)
Group A: decided switchers	£0.75	£0.00	£0.75
Group B: persuadable switchers	£0.47	£0.00	£0.47
Group E: decided remainers	£0.00	-£0.04	-£0.04
Group F: persuadable remainers	£0.07	-£1.34	-£1.27
Total	£1.30	-£1.38	-£0.08

Source: *Economic Insight*

As can be seen, this approach suggests that there is a *small* negative impact (-£0.08m per year) from banning Reactive Save. However, as noted by Ofcom, and discussed in section 3.1.1.1, using such a time value approach cannot account for the full benefits that would be experienced by customers.³²

In addition to calculating the impact of a ban, the time value approach can also be used to calculate the impact of the option mechanism. Here, the switchers groups would benefit from the same reduction in time costs as from a ban. However, the remainder groups **would be unaffected**, as they could still have access to Reactive Save offers. Therefore, we estimate **the direct impact of implementing the option mechanism, using the time value approach, is a net benefit of £1.23m per annum**, as illustrated below.

Table 9: Direct impact of option mechanism – time value approach

	Time cost saving
Group A: decided switchers	£0.75
Group B: persuadable switchers	£0.47
Group E: decided remainers	£0.00
Group F: persuadable remainers	£0.00
Total	£1.23

Source: *Economic Insight*

³² See paragraph 5.36 and 5.37 of Ofcom's May 2017 consultation document.

4.2.1.5 Direct impact of a Reactive Save ban – WTP approach

To address the deficiency in the time value approach, we estimate the impact of a Reactive Save ban, based on the reported willingness to pay in our survey. We adopt a similar approach to that used by Ofcom to calculate its 'base case' range. In particular, one end of our range is based on what respondents reported they were 'definitely' willing to pay for Reactive Save, and the other end of our range is based on what respondents reported as 'probably' willing to pay.

We do not, however, make adjustments for take-up – as Ofcom did.³³ This is because we see the adjustments are arbitrary. Such a 'dampening' of reported take-up likelihood is more applicable when the situation is such that there is a reasonable 'status quo option'. For example, where the reported likelihood is that of buying a new product / switching provider, or where the status quo is to continue using an existing product or remain with an existing provider. However, in the situation of choosing between using the existing switching process and the reformed process, the only status quo option would not be to switch at all. Hence, we believe that there is a reasonable chance that the reported likelihood of using the reformed process is either overstated or understated. As such, we are not in a position to make any adjustment, either increasing or decreasing the reported likelihood.

We have calculated the direct impact of a Reactive Save ban using a WTP approach based on the following steps.

- Groups E and F – those that accepted a Reactive Save offer – lose the incremental discount they would have received, as calculated in the previous time value approach. As before, this is a conservative assumption because it is predicated on the basis that competition would not result in those discounts being "forced out" through some other mechanism.
- Group A benefit from not being contacted. The WTP of survey respondents from Group A who preferred not to be contacted is used to value this aspect. In particular, £2.93 and £3.91 are used as the low and high estimates (see Figure 26 and Figure 27). These figures are multiplied by the size of each group affected.
- Group B lose as they may have an intrinsic utility from being offered a Reactive Save deal. This aspect is valued using the WTP of those in Group B who preferred to be contacted. In particular, £1.13 and £3.46 are used as the low and high estimates (see Figure 26 and Figure 27). These figures are multiplied by the size of each group affected.
- Groups E and F and either negligible in size or have negligible valuations for Reactive Save. To be conservative, the average WTP of those that prefer to be contacted is used to value a loss that they would face.
- The total direct impact is then calculated as the sum of the loss of a cheaper tariff and the intrinsic benefit/loss of a ban on Reactive Save.

³³ See paragraph 5.39 of Ofcom's May 2017 consultation document. Ofcom's base case takes 80% of the values stated by respondents who said they would definitely use the options when free, and 20% of the values stated by respondents who said they would probably use them.

WE ESTIMATE THAT A BAN ON REACTIVE SAVE COULD GENERATE NET DIRECT BENEFITS OF BETWEEN £0.52M AND £1.14M PER YEAR

The result of these calculations is shown in the table below. In particular, through the WTP approach, we estimate that a ban on Reactive Save could generate net benefits of between £0.63m and £1.21m per year.³⁴

Table 10: Direct impact of banning Reactive Save – WTP approach

	Loss of cheaper tariff	Intrinsic benefit / loss - low	Intrinsic benefit / loss - high	Total impact (£m per year) - low	Total impact (£m per year) - high
Group A: decided switchers	£0.00	£3.43	£4.57	£3.43	£4.57
Group B: persuadable switchers	£0.00	-£0.83	-£2.55	-£0.83	-£2.55
Group E: decided remainers	-£0.04	£0.00	£0.00	-£0.04	-£0.04
Group F: persuadable remainers	-£1.34	-£0.00	-£0.01	-£1.34	-£1.35
Total	-£1.38	£2.59	£2.01	£1.21	£0.63

Source: *Economic Insight*

³⁴ Note, the valuation under the 'low' case is higher than the 'high' case. This is mainly because there is a greater difference in the 'definitely' and 'probably' WTP of Group B for to be contacted with Reactive Save offers, compared to the 'definitely' and 'probably' WTP of Group A for not being contacted. Hence, there is a higher negative impact of banning Reactive Save under the 'high case', and therefore the net impact is lower than the 'low case'.

4.2.1.7 WTP method for valuing an “optional” approach to Reactive Save

Similar to the time value approach, we have also calculated the direct impact of implementing the option mechanism through the WTP approach. We assume that:

- Group A would choose not to be contacted. Each customer in this group would benefit from the average WTP of respondents in Group A that preferred no contact. As per Figure 26 and Figure 27, the high and low valuations are £2.93 and £3.91.
- Group B, E and F are assumed to choose to be contacted. They are unaffected relative to the case of Reactive Save being allowed.
- The valuations for Group A are multiplied by the number of customers. The range of the total direct impact of implementing the option mechanism is shown in the table below.

Table 11: Direct impact of option mechanism – WTP approach

	Intrinsic benefit / loss - low	Intrinsic benefit / loss - high
Group A: decided switchers	£3.43	£4.57
Group B: persuadable switchers	£0.00	£0.00
Group E: decided remainers	£0.00	£0.00
Group F: persuadable remainers	£0.00	£0.01
Total	£3.43	£4.57

Source: Economic Insight

4.2.2 Indirect competition impact of banning Reactive Save

It is particularly challenging to quantitatively estimate the competition effects of changes in market rules. To do so, however, we have relied on the basic economic theory encapsulated in the ‘Lerner Index’, which describes the relationship between price elasticities and profit margins. Specifically, it states that a profit maximising firm will set its gross margin (L) equal to 1 divided by the elasticity of demand (e). Or:

$$L = 1/e$$

To calculate the potential competition effect of banning Reactive save, we have undertaken the following steps, which are also shown in the subsequent table.

- Assumed that percentage change in switching propensity resulting from a ban is equivalent to the percentage change in competitive intensity. As per Figure 28, the effect of the ‘allowed’ Reactive Save treatment was a 1.9% increase in switching, and the effect of the Reactive Save ban treatment was a 2.7% increase in switching. Therefore, the proportional uplift in switching from a Reactive Save ban, compared to it being allowed, is 42%.

- Assumed that the above increase in competitive intensity translates into the same percentage change in price elasticity.
- Assumed that the Lerner Index holds in the current market, and will hold under a market with Reactive Save.
- To estimate the current elasticity, we have taken accounting data from the four MNOs and calculated the average net margin. We have used the net margin, rather than the gross margin, to be conservative. 1 is divided by the net margin to give the current elasticity.
- To estimate the new elasticity, the current elasticity is uplifted by the increase in competitive intensity.
- The new margin is then calculated by taking the inverse of the new elasticity.
- The reduction in margin is calculate by subtracting the new one from the current one.
- Finally, consumer benefit is calculated by multiplying the reduced margin by the average revenue per customer per year.

Table 12: MNO industry net margin

			Source
[1]	NMO revenue	£21,721m	Sum of MNO accounting data, most recent available year
[2]	MNO EBIT	£1,359m	Sum of MNO accounting data, most recent available year
[3]	Industry net margin	6.3%	[2] / [1]
[4]	Current elasticity	16.0	1 / [3]
[5]	% increase in switching propensity if Reactive Save banned	42%	Proportion increase of 2.7% from 1.9%, see Figure 28
[6]	New elasticity	22.7	[4] * (1+[5])
[7]	New margin	4.4%	1 / [6]
[8]	Reduction in margin	1.85%	[3] - [7]
[9]	Average revenue per customer (per year)	£240.24	Sum of MNO accounting data, most recent available year
[10]	Consumer benefit (£ per year)	£4.46	[9] * [8]

Source: *Economic Insight*

As can be seen, these calculations suggest that **banning Reactive save can deliver an annual benefit to each customer of £4.46**. Given there are approximately 83.51

mobile customers³⁵, this equates to £372m per year. This effect would be in addition to the direct impact calculated in the previous section.

Whilst any quantitative assessment of the impacts of changes in competitive intensity can be relatively subjective, and these calculations have been based on a number of simplifying assumptions, it does demonstrate the magnitude of potential indirect effects relative to direct effects. Furthermore, we do not suggest that the above is a robust estimate of the competitive impact of banning Reactive Save, but it should be acknowledged that the competitive effects have the potential to far outweigh any direct effects.

³⁵ *'Telecommunications Market Data Tables.'* Ofcom, Q4 2016

5. Annex A: copy of survey questions

5.1 Section A: Profiling

[A1. Gender] ASK ALL

[Single code]

Are you...?

1. Male
2. Female

[A2. Age] ASK ALL

[Numeric entry]

What is your age?

[Please code to the following age bands]

1. 16 - 17
2. 18 - 24
3. 25 - 34
4. 35 - 44
5. 45 - 54
6. 55 - 64
7. 65 +

[A3. Socio-economic] ASK ALL

[Single code]

Which of the following best describes the **main income earner** in your household?

[Display following paragraph in smaller font size and grey text]

Please note:

1. If you live in a household with others, but have separate finances, do not include them in this question. Only consider those who have shared incomes/ outgoings.
2. If the main income earner has been unemployed for less than 6 months, don't answer 'unemployed', but think back to the last job before that.
3. If they're retired and receiving a pension from employment as well as a state pension, please think back to the last job before retirement.

1. Very senior management; top level civil servant or professional (e.g. surgeon; partner in a law firm; regional bank manager; board director of medium/ large firm) [A]
2. Senior or middle management in large organisation; owner of small business; principal officer in civil service/ local government [B]
3. Junior management or professional; or administrative (e.g. most office workers; accounts clerk; secretary; police sergeant) [C1]
4. Skilled manual worker (e.g. plumber; electrician) [C2]
5. Manual worker (e.g. lorry driver; labourer; hotel porter) [D]
6. Casual worker without regular income; or unemployed for 6 months or longer [E]
7. Retired and receiving a state pension only [E]
8. Housewife/ house husband/ looking after family [E]
9. Student [C1]

[Socio-economic grade as per codes above]

[A4. Type] ASK ALL

[Single code]

Which of these best describes the main mobile phone package you personally use and pay for?

1. **Pay as you go** (which requires top-ups)
2. **Monthly contract** (i.e. 12-24 months, including new handset)
3. **SIM only** (i.e. did not get a handset or no longer paying for one). This may be on a 30 day rolling contract or have a longer contract length
4. Someone else pays for my mobile [SCREEN OUT]
5. I don't have a mobile [SCREEN OUT]
6. Don't know [SCREEN OUT]

[A5. Switched] ASK ALL

[Single code]

Have you ever changed your mobile phone network provider? If yes, when did you most recently change mobile phone network?

1. Yes – in the last 6 months
2. Yes – 7-12 months ago
3. Yes – 13-18 months ago (i.e. 1-1.5 years ago)
4. Yes – 19-24 months ago (i.e. 1.5-2 years ago)
5. Yes – 2-3 years ago
6. Yes – more than 3 years ago
7. No – never changed provider

[Quotas: switcher if A5=1 thru 3; non-switcher if A5=4 thru 7]

[A6. Switcher from type] ASK IF SWITCHED IN LAST 18M (A5=1 thru 3)**[Single code]**

When you switched, what type of mobile package did you switch from?

1. **Pay as you go** (which requires top-ups)
2. **Handset and monthly contract** (i.e. 12-24 months, including new handset)
3. **SIM only** (i.e. did not get a handset or was no longer paying for one) this may have been on a 30 day rolling contract or had a longer contract length
4. Other (please type in)

[A7. Kept number] ASK IF SWITCHED IN LAST 18M (A5=1 thru 3)**[Single code]**

And when you switched did you...?

1. Keep the same number
 2. Change phone number
-

5.2 Section B: Past switching behaviour

[B0. Intro] SHOW ALL

[Text only]

Thanks for your answers so far. We'd now like to ask a few questions about considering switching mobile network provider, searching for suitable offers, and the process of switching itself.

[B1. Consideration] ASK IF NOT SWITCHED IN LAST 18M (A5=4 thru 7)

[Single code]

Which of the following best describes whether you have considered changing mobile network provider in the last 18 months?

1. I thought about it and actively searched, but decided not to change provider
 2. I thought about it, but did not start actively looking and decided not to change provider
 3. I haven't considered switching mobile network provider in the last 18 months
 4. I am currently considering switching
-

[B2. Contacted] ASK IF NOT SWITCHED IN LAST 18M AND ACTIVELY SEARCHED (A5=4 thru 7 AND B1=1)

[Multi code]

As part of your searching, which of the following did you do? Please select all that apply.

1. I looked at different providers and tariffs online
 2. I looked at different providers and tariffs in one or more physical shops
 3. I looked at print advertisements (e.g. newspapers, magazines and billboards)
 4. I contacted my current provider directly to discuss my options
 5. I contacted other providers directly to discuss my options
 6. I chose an alternative provider and contacted my current provider to switch
 7. None of the above
-

[B3. Offered RS] ASK IF NOT SWITCHED IN LAST 18M AND ACTIVELY SEARCHED AND CONTACTED PROVIDER DIRECTLY (A5=4 thru 7 AND B1=1 AND (B2_4=1 or B2_6=1))

[Single code]

Which of the following best describes what you said to your current provider when you contacted them and how they reacted?

1. I said I was considering my options, and we discussed what services and tariffs they could offer me
2. I said I wanted to switch to another provider, and they explained how the process would work
3. I said I wanted to switch to another provider, and they offered me one or more alternative tariffs to try to persuade me to stay
4. Other (please type in)
5. Don't know / can't remember

[B4. Number RS] ASK IF OFFERED REACTIVE SAVE (B3=3)

[Single code]

How many different tariffs / deals did your current provider offer you to try to persuade you to stay with them?

1. 1
2. 2
3. 3
4. 4 or more
5. Don't know / can't remember

[B4a. Attempted RS] ASK IF OFFERED REACTIVE SAVE (B3=3)

[Single code]

And did your current provider contact you multiple times with offers trying to persuade you to stay with them?

1. Yes, I was contacted multiple times
2. No, I was only contacted once
3. Don't know / can't remember

[B5. Decided remainder] ASK IF OFFERED REACTIVE SAVE (B3=3)

[Single code]

Could such a different tariff / deal, in principle, have affected your decision to stay?

1. Yes, I would have likely switched to another provider if the deal wasn't as good as it was
2. No, I would have stayed with my current provider irrespective of what the deal that they offered me was
3. Don't know / can't remember

[B6. Switch aspects] ASK ALL

[Grid – single code by row]

Now thinking about the searching and switching process in total, we are interested in which aspects you may like or dislike. For each of the potential aspects of searching and switching below, please indicate your preference. If you have no experience of one of the aspects, please give you expectation.

	1 – I really like this aspect	2 – I somewhat like this aspect	3 – I don't like or dislike this aspect	4 – I somewhat dislike this aspect	5 – I really dislike this aspect
Comparing available providers and tariffs online					
Looking at the new handsets I could get					
Making a decision					
Being offered another deal by my existing provider to persuade me not to switch					
Talking to salespeople on the phone					

[Randomise rows]

[B7. Method of contact] ASK IF SWITCHED IN LAST 18M (A5=1 thru 3)**[Single code]**

Thinking about the last time you switched mobile network provider, how did you contact your old provider to tell them that you wanted to cancel your service and/or switch provider?

1. Telephone
2. Email
3. Web-chat
4. Post
5. In-store sales agent – previous provider
6. In-store sales agent – new provider
7. In-store sales agent – third party, e.g. Carphone Warehouse
8. Via web-form
9. I never contacted my old provider to cancel my service
10. Other (please type in)
11. Don't know/can't remember

[Randomise options 1 thru 8]**[B8. Decided] ASK IF SWITCHED IN LAST 18M AND CONTACTED (A5=1 thru 3 AND B7<>9)****[Single code]**

At the point at which you contacted your old provider to tell them that you wanted to cancel your service and/or switch provider, which of the following best describes you?

1. I had made a final decision to switch provider and my previous provider could not have realistically said or done anything to have changed my decision
2. I had made an initial decision to switch, but my previous provider could have persuaded me not to switch by offering me a better deal
3. I was still in the process of comparing and considering my options
4. Don't know / can't remember

[B9. Decided reason] ASK IF 'DECIDED SWITCHER' (B8=1)**[Single code]**

Which of the following best describes why your previous provider could not have realistically changed your decision?

1. I felt that my previous provider had not given me good value over a long period of time
2. I was receiving continued poor service
3. I experienced a single instance of poor service
4. My new provider offered a service my previous provider couldn't (e.g. all-you-can-eat data, or 4G)
5. I had spent enough time searching and considering my options
6. Other (please type in)
7. Don't know / can't remember

[Randomise options 1 thru 5]**[B10. Offered Reactive Save] ASK IF SWITCHED IN LAST 18M AND CONTACTED (A5=1 thru 3 AND B7<>9)****[Single code]**

When you contacted your old provider to tell them that you wanted to cancel your service and/or switch provider, did they try to stop you from switching by offering you another tariff or better deal?

1. Yes, my previous provider offered me another tariff or better deal to try to prevent me from switching
2. No, my previous provider didn't offer me another tariff or better deal to try to prevent me from switching
3. Don't know / can't remember

[B11. Number RS] ASK IF OFFERED REACTIVE SAVE (B10=1)**[Single code]**

How many different tariffs / deals did your current provider offer you to try to persuade you not to switch?

1. 1
2. 2
3. 3
4. 4 or more
5. Don't know / can't remember

[B11a. Attempted RS] ASK IF OFFERED REACTIVE SAVE (B10=1)

[Single code]

And did your current provider contact you multiple times with offers trying to persuade you to stay with them?

1. Yes, I was contacted multiple times
2. No, I was only contacted once
3. Don't know / can't remember

[At this point, we can identify all the different customer groups from our framework.]

	Logic
Inactive customers	Not switching in last 18 months and not actively considered switching (A5=4 thru 7 AND B1=2 thru 3)
Actual switchers	Switched in last 18 months (A5=1 thru 3)
...Offered reactive save	...offered reactive save (B10=1)
.....Decided switcherhad made final decision when contacted (B8=1)
.....Persuadable switchercould have had mind changed (B8=2 thru 3)
...Not offered reactive save	...not offered reactive save (B10=2)
.....Decided switcherhad made final decision when contacted (B8=1)
.....Persuadable switchercould have had mind changed (B8=2 thru 3)
Active considerers	Not switching in last 18 months but actively considered switching (A5=4 thru 7 AND B1=1)
...Offered reactive save	...offered reactive save (B3=3)
.....Decided remainderdecided (B5=2)
.....Persuadable remainderpersuadable (B5=1)
...Not offered reactive save	...not offered reactive save (B3=1 thru 2)
.....Decided remainder all of above group
.....Persuadable remainder don't 'rationally' exist

[Note, some respondents will not fall into a category (current considerers, those that can't remember if they were offered RS, etc.)]

5.3 Section C: Preference and WTP for reforms

[C0a. Auto Switch info] SHOW IF SWITCHED IN LAST 18M AND PORTED (A5=1 thru 3 AND A7=1)

[Text only]

For the next set of questions, we'd like you to imagine that you have decided to switch providers and keep your current mobile phone number.

Further still, please imagine there is an alternative approach that you could take to switch providers:

- Similar to the existing process, you would require a PAC from your old provider to give to your new provider.
- However, under the alternative approach you would **request your PAC by sending a text** to a number, and your PAC would be texted back to you immediately.
- This service would be free of charge.

When switching, you could either choose the current approach, or this alternative approach.

[C0b. Auto Switch info] SHOW IF NOT SWITCHED IN LAST 18M OR SWITCHED IN LAST 18M AND DIDN'T PORT ((A5=4 thru 7) OR (A5=1 thru 3 AND A7=2))

[Text only]

For the next set of questions, we'd like you to imagine that you have decided to switch providers and keep your current mobile phone number.

To do this under the current switching system:

- You have to contact your existing provider and request a Porting Authorisation Code, or 'PAC'.
- You then give the PAC to your new provider.
- Providers typically ask you to phone them to receive your PAC.
- The service is free of charge.

Now, please imagine there is an alternative approach that you could take to switch providers:

- Similar to the existing process, you would require a PAC from your old provider to give to your new provider.
- However, under the alternative approach you would **request your PAC by sending a text** to a number, and your PAC would be texted back to you immediately.
- This service would be free of charge.

When switching, you could either choose the current approach, or this alternative approach.

[C1. Likelihood Auto Switch SMS] ASK ALL

[Single code]

Continuing to imagine that you have decided to switch and keep your mobile phone number, how likely would you be to **request your PAC by sending a text**, rather than the current process (see the table below for a summary of the processes)?

1. I definitely would
2. I probably would
3. I possibly would / possibly wouldn't
4. I probably wouldn't
5. I definitely wouldn't

Current process	Alternative process
<ul style="list-style-type: none"> • You have to contact your existing provider and request a Porting Authorisation Code, or 'PAC'. • You then give the PAC to your new provider. • Providers typically ask you to phone them to receive your PAC. • The service is free of charge. 	<ul style="list-style-type: none"> • Similar to the existing process, you would require a PAC from your old provider to give to your new provider. • However, under the alternative approach you would request your PAC by sending a text to a number, and your PAC would be texted back to you immediately. • This service would be free of charge.

[C2. Ban preference] ASK IF POTENTIALLY USE AUTO SWITCH (C2=1 thru 3)

[Single code]

Having **requested your PAC by sending a text**, the provider that you are leaving may want to contact you with **"reactive offers"** once you have requested the switch (a reactive offer could be a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider). You may receive up to **3** such offers, typically via a single telephone call. A call usually lasts around **7** minutes.

Which of the following would you prefer in this scenario?

4. I would prefer it if the provider I was leaving **did not contact me** with reactive offers
5. I would prefer it if the provider I was leaving **did contact me** with reactive offers
6. I would prefer to be given the **option** at the time. Here, the text message (or other communication) you receive containing your PAC will also ask whether you wish your existing provider to contact you with reactive offers. You will be asked to reply, free of charge, with a "Y" if you wish to be contacted and a "N" if you do not.

[C3. Valuation] ASK IF POTENTIALLY USE AUTO SWITCH (C2=1 thru 3)**[Single code]**

We are interested in how much you would value [if C2=1: not being contacted by the provider you are leaving; if C2=2: being contacted by the provider you are leaving; if C3=3: having the option as to whether the provider you are leaving could contact you or not].

Would you be will willing to pay £x [if C2=1: to not be contacted by the provider you are leaving; if C2=2: to be contacted by the provider you are leaving; if C3=3: to have the option as to whether the provider you are leaving could contact you or not]?

1. I definitely would
2. I probably would
3. I possibly would / possibly wouldn't
4. I probably wouldn't
5. I definitely wouldn't

[Use pricing ladder 25p, 50p, £1, £2, £5, £10. Randomise prices. If a respondent says they definitely/probably wouldn't (4 or 5) pay a price, don't ask about a higher price. If they say they definitely would, don't ask about a lower value]

5.4 Section D: Experiment

[The purpose of the experiment is to test how customer search and switching behaviour is affected by: (i) the presence or absence of Reactive Save activity; and by (ii) Reactive Save continuing on a voluntary basis]

[Randomly split the sample into three groups equally sized groups:

- CG: A control group: who are presented with Ofcom’s proposed Auto-Switch switching process – which under their proposals, includes the continuation of Reactive Save activities.
- TG1: Treatment group A: as above, but where Reactive Save is banned.
- TG2: Treatment group B: as above, but where customers are able to choose whether or not their existing provider can contact them with Reactive Save offers.

RANDOMLY ASSIGN RESPONDENTS TO EQUALLY SIZED GROUPS: G=CG, TG1 OR TG2]

[D0. Intro] SHOW ALL

[Text only]

The purpose of this part of the survey is to understand the likelihood of you either searching for improved mobile phone offers; and / or switching mobile phone provider over the next 18 months. You will be asked a series of initial questions about this, then shown some information about how the switching process functions, before being asked to re-answer the questions.

[By asking participants questions about their propensity to search / switch at the start of the experiment, before showing them any frames, we can compare results on both: (i) a “before and after”; and (ii) “across treatment and control” basis. This therefore provides another dimension within which we can seek to identify an impact from Reactive Save.]

[D1. Search likelihood] ASK ALL

[Slide bar]

How likely are you to actively review and compare alternative mobile phone offers during the next 18 months?

Please give your likelihood using the slide bar below.

[Slide bar, 0-100%, limited to 5% increments]

[D2. Contact likelihood] ASK ALL

[Slide bar]

As part of any review, how likely are you to contact your existing provider to ask them whether they can offer you an improved price or service package?

Please give your likelihood using the slide bar below.

[Slide bar, 0-100%, limited to 5% increments]

[D3. Switch likelihood] ASK ALL

[Slide bar]

How likely are you to switch provider during the next 18 months?

Please give your likelihood using the slide bar below.

[Slide bar, 0-100%, limited to 5% increments]

[D4. Control group frame] SHOW IF G=CG

[Text only]

Please imagine the following.

In the event that you decide to switch, the process requires you to firstly obtain your Porting Authorisation Code (PAC) from your existing provider and notify them of your intention to leave. You can do this either by: (i) text message; (ii) messaging via any online account you may have with your existing provider; or (iii) phoning your existing provider. In all cases, you receive your PAC code along with other relevant switching information, such as any outstanding payments on your existing contract. To complete the switch, you will then need to notify your 'new' provider of your PAC code – and once done, the switch will be "automatic" with no further action required from you.

One feature of this switching process is that your existing provider is able to contact you with "reactive offers" once you have requested the switch, regardless of whether you want to receive them (e.g. this reactive offer could be a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider). You may receive up to 3 such offers, typically via a single telephone call. A call usually lasts around 7 minutes.

[D5. Treatment group 1 frame] SHOW IF G=TG1

[Text only]

Please imagine the following.

In the event that you decide to switch, the process requires you to firstly obtain your Porting Authorisation Code (PAC) from your existing provider and notify them of your intention to leave. You can do this either by: (i) text message; (ii) messaging via any online account you may have with your existing provider; or (iii) phoning your existing provider. In all cases, you receive your PAC code along with other relevant switching information, such as any outstanding payments on your existing contract. To complete the switch, you will then need to notify your 'new' provider of your PAC code – and once done, the switch will be “automatic” with no further action required from you.

Your existing provider will not contact you with “reactive offers” (e.g. a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider) once you have requested the switch. However, you would remain free to pro-actively ask your exiting provider whether they can offer an improved price, either as part of your initial search activity to inform your decision to switch, or subsequently.

[D6. Treatment group 2 frame] SHOW IF G=TG2

[Text only]

Please imagine the following.

In the event that you decide to switch, the process requires you to firstly obtain your Porting Authorisation Code (PAC) from your existing provider and notify them of your intention to leave. You can do this either by: (i) text message; (ii) messaging via any online account you may have with your existing provider; or (iii) phoning your existing provider. In all cases, you receive your PAC code along with other relevant switching information, such as any outstanding payments on your existing contract. To complete the switch, you will then need to notify your 'new' provider of your PAC code – and once done, the switch will be “automatic” with no further action required from you.

At the time at which you instigate the PAC request, the text message (or other communication) you receive containing your PAC will also ask whether you wish your existing provider to contact you with “reactive offers” (e.g. a revised price, which may, or may not be, higher or lower than the one you have agreed with your new provider). You will be asked to reply, free of charge, with a “Y” if you wish to be contacted and a “N” if you do not.

If you reply with a “Y”, you may receive up to 3 reactive offers from your existing supplier, typically via a single telephone call. A call usually lasts around 7 minutes.

Even if you reply with a “N”, so that your existing provider does not contact you, you would remain free to pro-actively ask your exiting provider whether they can offer an improved price, either as part of your initial search activity to inform your decision to switch, or subsequently.

[D7. Search likelihood post] ASK ALL**[Slide bar]**

Bearing in mind the switching process we have just asked you to imagine, how likely are you to actively review and compare alternative mobile phone offers during the next 18 months?

Please give your likelihood using the slide bar below.

[Slide bar, 0-100%, limited to 5% increments]

[D8. Contact likelihood] ASK ALL**[Slide bar]**

Still bearing in mind the switching process we have just asked you to imagine, as part of any review, how likely are you to contact your existing provider to ask them whether they can offer you an improved price or service package?

Please give your likelihood using the slide bar below.

[Slide bar, 0-100%, limited to 5% increments]

[D9. Switch likelihood] ASK ALL**[Slide bar]**

And finally, still bearing in mind the switching process we have just asked you to imagine, how likely are you to switch provider during the next 18 months?

Please give your likelihood using the slide bar below.

[Slide bar, 0-100%, limited to 5% increments]

5.5 Section E: Final questions

[E1. Intro] SHOW ALL

[Text only]

Thanks for your answers so far. We just have a few more to ask.

[E2. Time RS] ASK IF OFFERED REACTIVE SAVE (B3=3 OR B10=1)

[Single code]

You previously said that when you contacted your previous provider they offered you a better tariff to try to stop you from switching. Approximately how long did you spend with your old provider discussing alternative tariffs?

1. Less than a minute
 2. 1-2 minutes
 3. 3-5 minutes
 4. More than 5 minutes
 5. Don't know / can't remember
-

[E4. GPL explanation] SHOW ALL

[Text only]

We would like you to consider another alternative process to switch provider. In this case:

- You would tell your new provider you would like to switch to them, and they will **arrange the switch for you**.
 - You will receive a text message, which you would need to reply to, to confirm the switch.
 - No exchange of PAC would be required.
 - The service would be free of charge.
-

[E5. Likelihood GLP] ASK ALL

[Single code]

Again, please imagine that you are about to switch and take your number with you. How likely would you be use the new process by which **your new provider would arrange the switch for you**, rather than the current process (see the table below for a summary of the processes)?

1. I definitely would
2. I probably would
3. I possibly would / possibly wouldn't
4. I probably wouldn't
5. I definitely wouldn't

Current process	Alternative process 2
<ul style="list-style-type: none"> • You have to contact your existing provider and request a Porting Authorisation Code, or 'PAC'. • You then give the PAC to your new provider. • Providers typically ask you to phone them to receive your PAC. • The service is free of charge. 	<ul style="list-style-type: none"> • You would tell your new provider you would like to switch to them, and they will arrange the switch for you. • You will receive a test message, which you would need to reply to, to confirm the switch. • No exchange of PAC would be required. • This service would be free of charge.

[E6. Likelihood GLP] ASK ALL

[Single code]

Finally, just to be clear, if only one of the alternative approaches could be introduced (see the table below for a summary of the processes), which one would you prefer?

1. I would prefer to **request my PAC by sending a text.**
2. I would prefer **my new provider to arrange the switch for me.**

Current process	Alternative process 1	Alternative process 2
<ul style="list-style-type: none"> • You have to contact your existing provider and request a Porting Authorisation Code, or 'PAC'. • You then give the PAC to your new provider. • Providers typically ask you to phone them to receive your PAC. • The service is free of charge. 	<ul style="list-style-type: none"> • Similar to the existing process, you would require a PAC from your old provider to give to your new provider. • However, under the alternative approach you would request your PAC by sending a text to a number, and your PAC would be texted back to you immediately. • This service would be free of charge. 	<ul style="list-style-type: none"> • You would tell your new provider you would like to switch to them, and they will arrange the switch for you. • You will receive a test message, which you would need to reply to, to confirm the switch. • No exchange of PAC would be required. • This service would be free of charge.

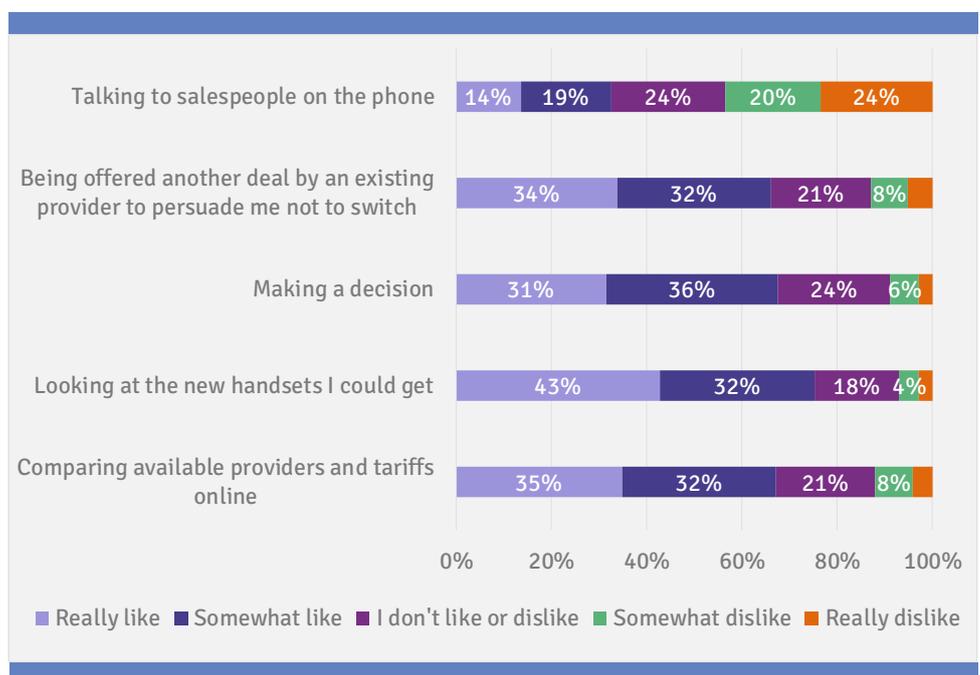
6. Annex B: further survey results

This annex provides further survey results in addition to what is presented in the main section of the report.

6.1 Preference towards aspects of the switching process

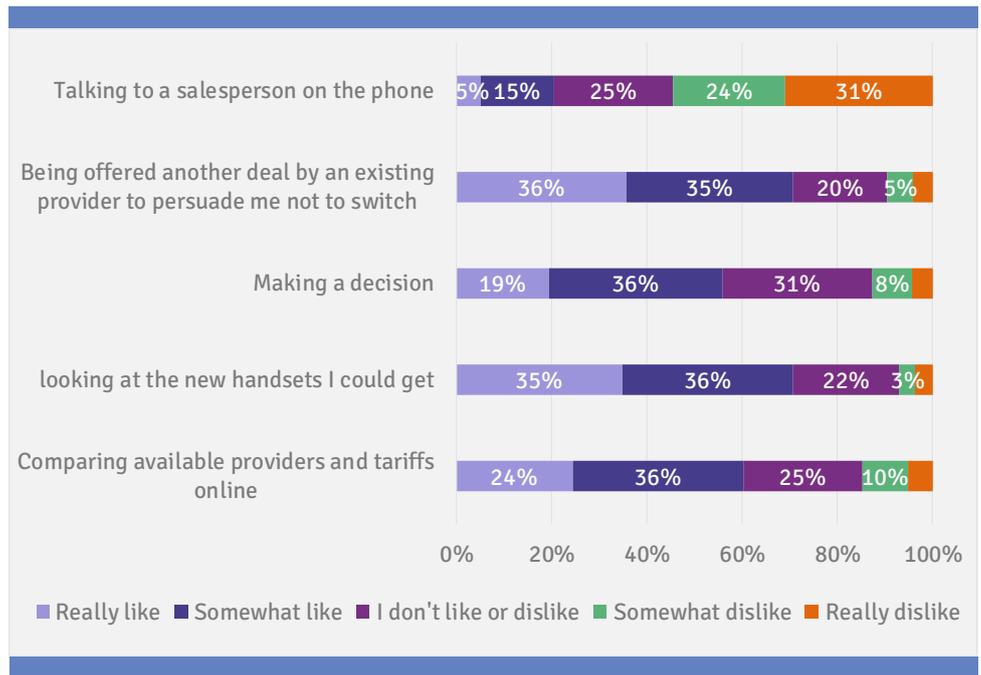
As is shown in the two following charts, the aspect of the switching process that was most disliked, by both switchers and non-switchers, is talking to salespeople on the phone.

Figure 30: Like/dislike of aspects of the switching process – switchers



Source: B6 Now thinking about the searching and switching process in total, we are interested in which aspects you may like or dislike. For each of the potential aspects of searching and switching below, please indicate your preference. If you have no experience of one of the aspects, please give you expectation. Base size: 3,000 switchers

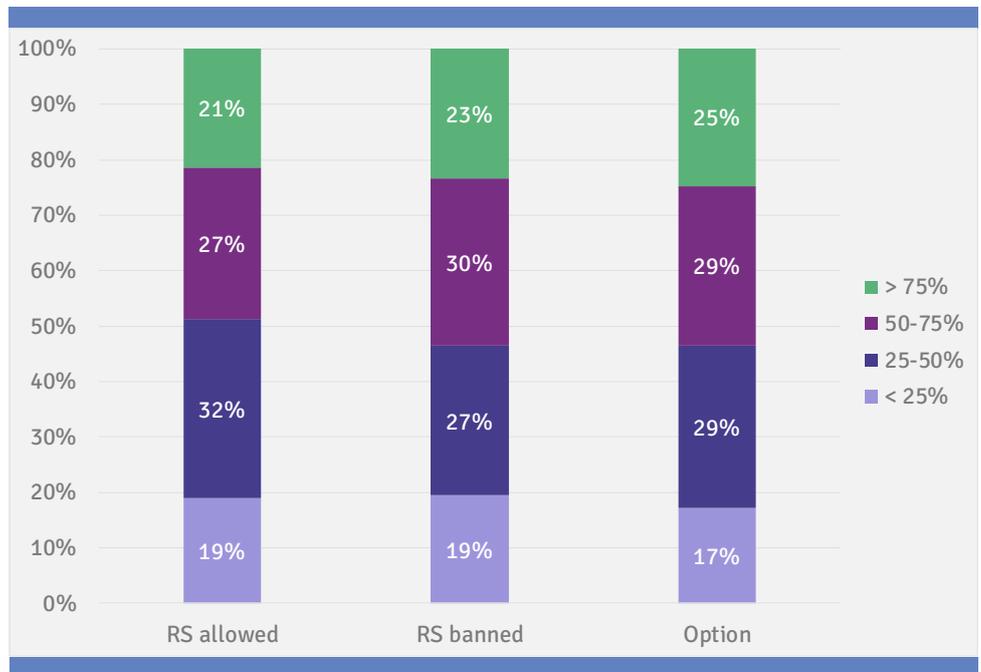
Figure 31: Like/dislike of aspects of the switching process – non-switchers



Source: B6 Now thinking about the searching and switching process in total, we are interested in which aspects you may like or dislike. For each of the potential aspects of searching and switching below, please indicate your preference. If you have no experience of one of the aspects, please give you expectation. Base size: 1,510 non-switchers

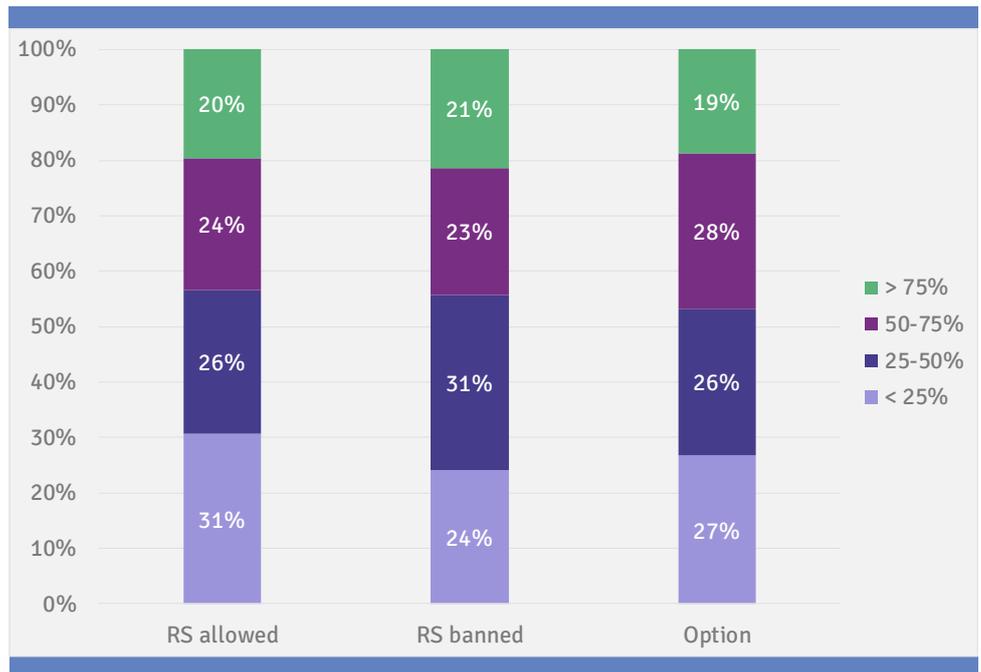
6.2 Further experiment results

Figure 32: Post-treatment search likelihood, switchers



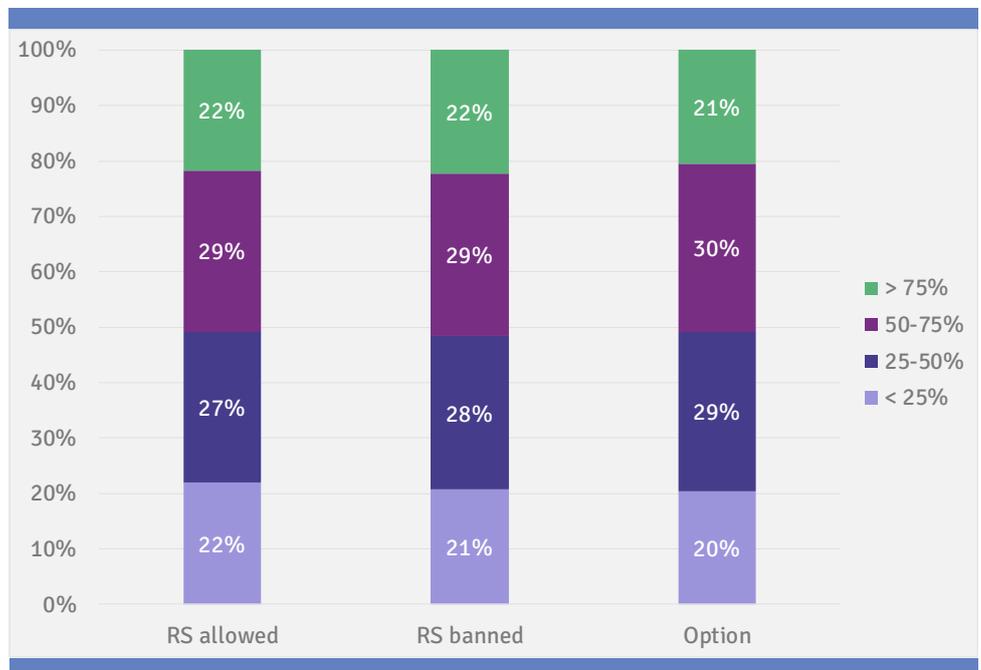
Source: D7 Bearing in mind the switching process we have just asked you to imagine, how likely are you to actively review and compare alternative mobile phone offers during the next 18 months? Base size: 3,000 switchers

Figure 33: Post-treatment search likelihood, non-switchers



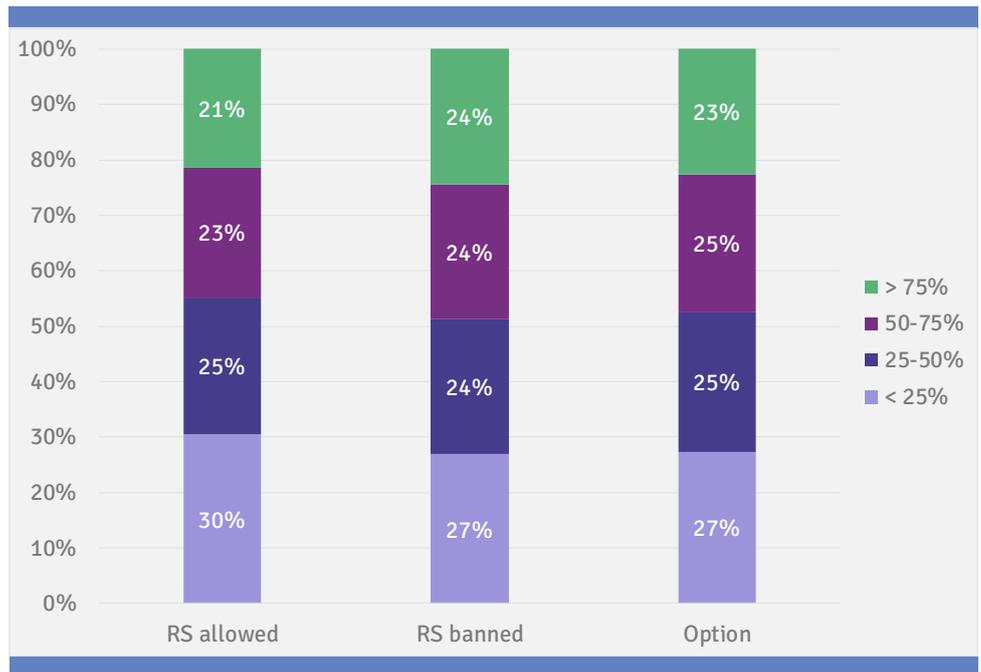
Source: D7 Bearing in mind the switching process we have just asked you to imagine, how likely are you to actively review and compare alternative mobile phone offers during the next 18 months? Base size: 1,510 non-switchers

Figure 34: Post-treatment contact likelihood, switchers



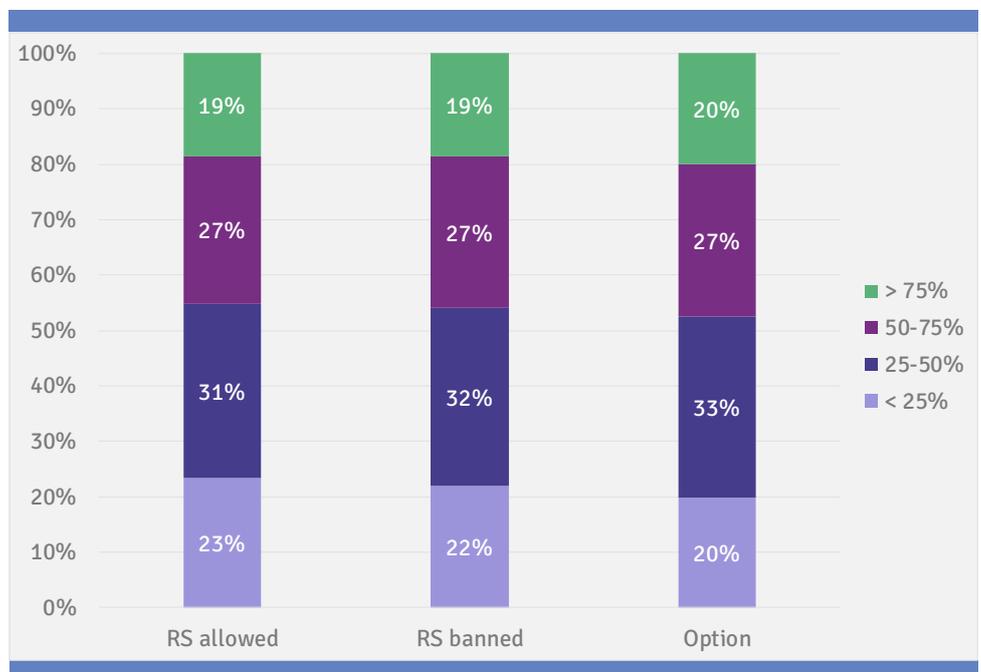
Source: D8 Still bearing in mind the switching process we have just asked you to imagine, as part of any review, how likely are you to contact your existing provider to ask them whether they can offer you an improved price or service package? Base size: 3,000 switchers

Figure 35: Post-treatment, contact likelihood, non-switchers



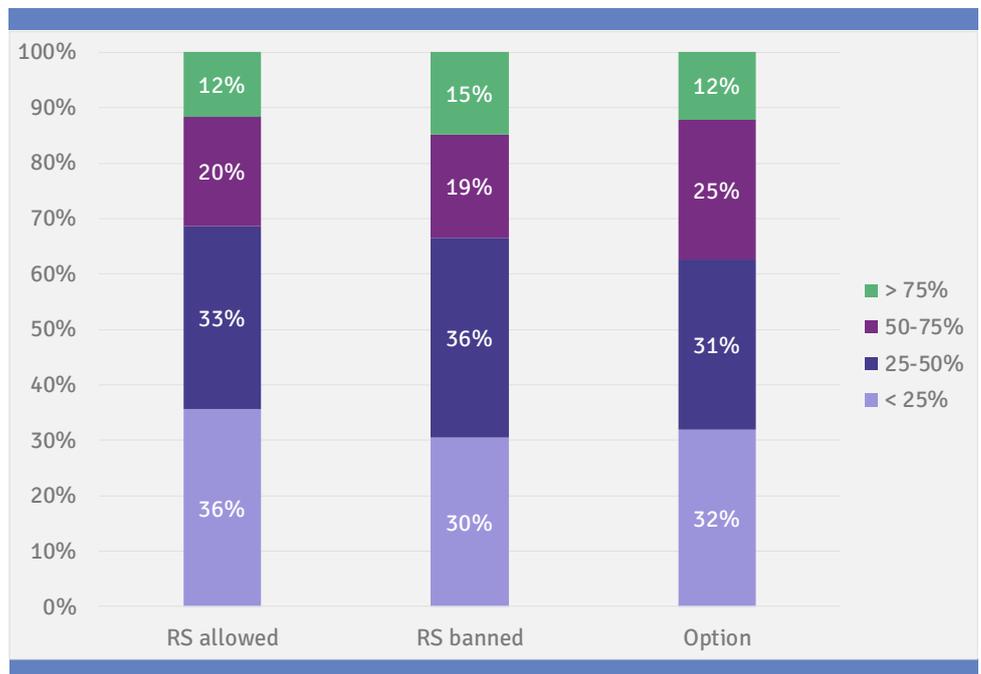
Source: D8 Still bearing in mind the switching process we have just asked you to imagine, as part of any review, how likely are you to contact your existing provider to ask them whether they can offer you an improved price or service package? Base size: 1,510 non-switchers

Figure 36: Post-treatment switch likelihood, switchers



Source: D9 And finally, still bearing in mind the switching process we have just asked you to imagine, how likely are you to switch provider during the next 18 months? Base size: 3,000 switchers

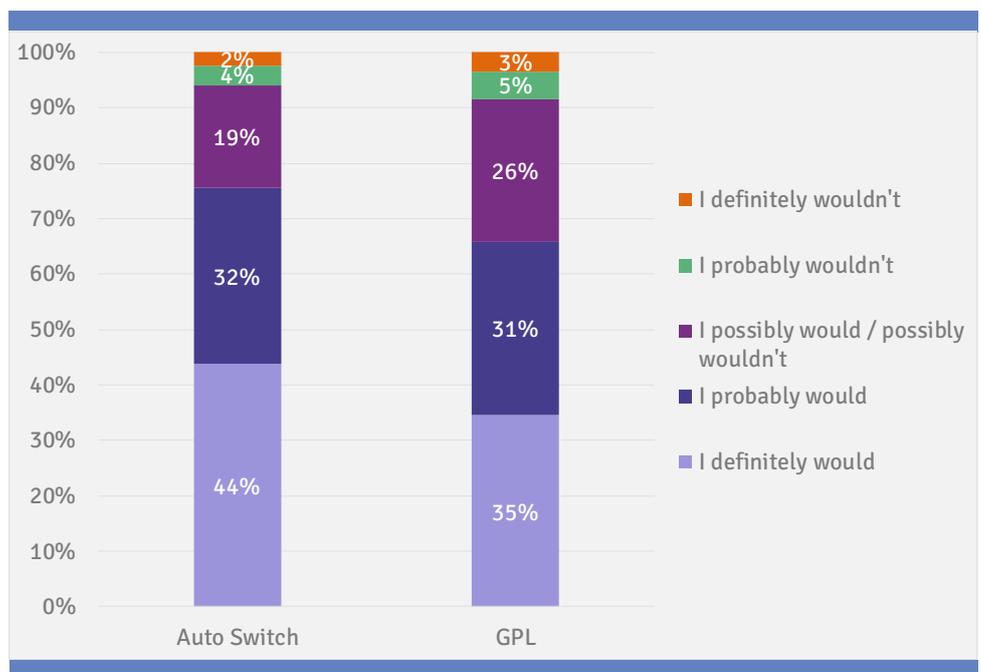
Figure 37: Post-treatment switch likelihood, non-switchers



Source: D9 And finally, still bearing in mind the switching process we have just asked you to imagine, how likely are you to switch provider during the next 18 months? Base size: 1,510 non-switchers

6.3 Likelihood to use Auto Switch and GPL

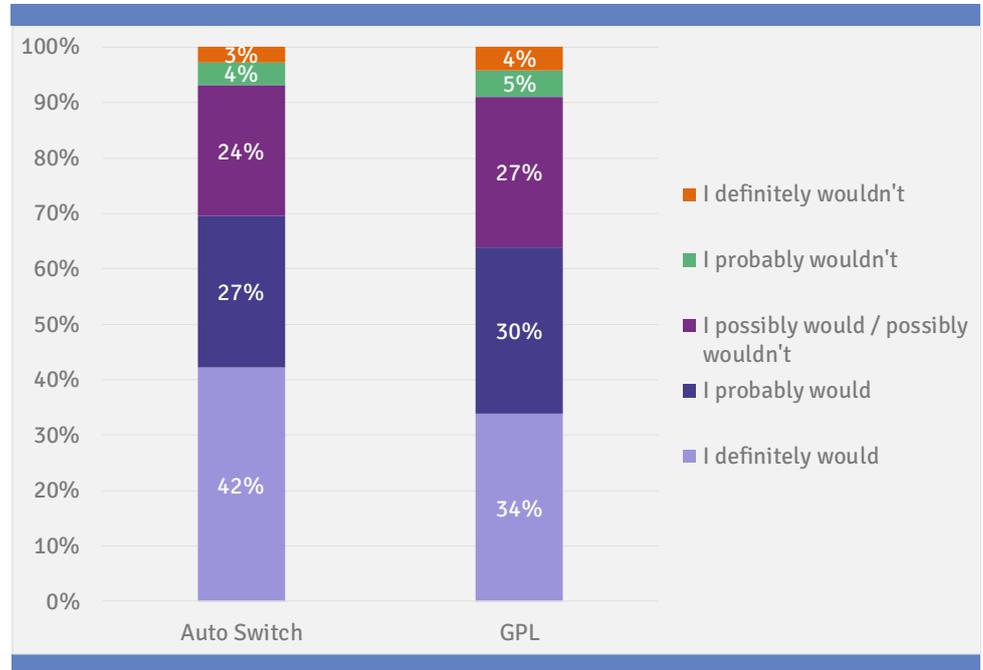
Figure 38: Likelihood to use Auto Switch and GPL – switchers



Source: C1 Continuing to imagine that you have decided to switch and keep your mobile phone number, how likely would you be to request your PAC by sending a text, rather than the current process (see the table below for a summary of the processes)? And E5 Again, please imagine that you are about to switch and take your number with you. How likely would you be use the new

process by which your new provider would arrange the switch for you, rather than the current process (see the table below for a summary of the processes)? Base size: 3,000 switchers

Figure 39: Likelihood to use Auto Switch and GPL – non-switchers



Source: C1 Continuing to imagine that you have decided to switch and keep your mobile phone number, how likely would you be to request your PAC by sending a text, rather than the current process (see the table below for a summary of the processes)? And E5 Again, please imagine that you are about to switch and take your number with you. How likely would you be use the new process by which your new provider would arrange the switch for you, rather than the current process (see the table below for a summary of the processes)? Base size: 1,510 non-switchers

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