Best Tariff Advice Research 2019

Executive Summary of Findings

15 May 2019

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1. Background to and objectives of the Research

1.1. Background

1.1.1. Consumer Engagement and ECNs/OCNs

Consumers are offered a wide and ever-expanding array of products and services in the various communications markets. As the market regulator, Ofcom wants consumers to be:

- Empowered to take full advantage of this choice available;
- Able to shop around with confidence;
- Able to get the best deals for themselves (whether that deal is with their current provider or elsewhere).

In July 2017, Ofcom embarked on a Consumer Engagement initiative focusing on how to empower consumers by helping them better engage with the communications markets. As a result, Ofcom proposed to require providers to send to residential and small business customers end-of-contract notifications (ECNs) and one-off out-of-contract notifications (OCNs). These requirements aimed to ensure consumers are informed in a timely way about changes to their price or service.

1.1.2. Aligning Ofcom's 2018 proposals with the EECC

Subsequently, the European Electronic Communications Code (EECC) was formally approved by the EU Parliament and EU Council. Part of this new code means regulated providers are required to tell customers about the best tariffs available to them.

Ofcom proposed to align its current position with the consumer protections required under the EECC. To support this work, Ofcom sought consumer-facing research on the requirements to tell customers about their best tariffs.

1.1.3. Building on previous qualitative research and ECN/OCN proposals

Following the 2017 Customer Engagement initiative, Ofcom proposed that providers inform end-users via ECNs and one-off OCNs of:

a) the date on which the contract will end;
b) details of the services provided under that contract;
c) any applicable notice periods that might apply;
d) the fact that early termination charges relating to that contract no longer apply from the point the contract ends;
e) details of other contracts taken with the same provider;
f) how to terminate the contract.

The EECC requires that providers give consumers best tariff advice relating to their service prior to the end of the fixed commitment period and best tariff information annually after that. Ofcom proposed to align its ECN with the requirement to give best tariff advice and replace its OCN with an annual best tariff notification (ABTN).

Ofcom's updated draft guidance proposed that the ECN/ABTN should include the provider's best tariffs consisting of between one and three tariffs, comprising:

- The cheapest tariff available to the individual customer;
- The cheapest tariff available to *any* customer of that provider (even if the cheapest tariff is only available to new customers of that provider);
- A SIM-only tariff (for customers currently on a bundled mobile handset and airtime contract);
- The provider may also, as one of the three tariffs, provide a cheapest 'upgrade' tariff.

Ofcom also proposed that tariffs should be based on a subscriber's previous usage of the services provided to them, where relevant. Where usage is not relevant, the tariffs should be based on service packages that are most similar to the services the subscriber currently receives.

1.2. Research Objectives

To take full advantage of the competition between providers, consumers should be able to make informed choices and change providers when it is in their best interest to do so. To enable this, consumers must be given information which helps them to assess whether they are on the best tariff and, if not, what the best tariff would be, so they might switch to it.

With this in mind, Ofcom sought to sense-check that the best tariff information consumers must be given would, as they proposed it, help consumers make informed choices. Ofcom wanted to understand if any of the detailed requirements it proposed were unnecessary to achieve the EECC's objectives.

The overarching requirements of this research, therefore, were to:

- Test consumers' comprehension of the information put before them in provider's best tariffs;
- Assess the impact this information may have on their ability to assess their best tariff and on their future intentions regarding their service provider.

More specifically, the research needed to explore:

- The appropriate number of tariffs to assess the best tariff;
- Whether displaying the 'cheapest tariff available for all' (even if not to that customer) helps consumers assess if they are being given a good deal by their provider or that they might benefit from switching;
- How helpful it is for consumers to be shown tariffs based on their usage and/or existing package of services to assess their best tariff;
- What consumer expectations/opinions are of upgrade tariffs and whether upgrade tariffs encourage consumers to seek a better deal from their provider or elsewhere.

1.3. Research approach and sample structure

1.3.1. Research approach

We conducted 10 focus groups lasting up to 90 minutes, during which consumers were presented with two alternative draft versions of possible communications for their service(s). The order in which the variants were presented was rotated across the groups to ensure we obtained un-primed reactions to each.

Consumers were given a limited amount of time to view each version to begin with to establish the key take-outs, followed by a lengthier review of the content. Consumers were asked to note down and report back their own responses to each version to ensure we captured individual responses as well as the group view.

Ofcom also wanted to include participants with lower levels of literacy/numeracy to understand their comprehension of the information and views on the tariffs. Therefore, we also **conducted 8 face-to-face individual depth interviews** (lasting up to 60 minutes) in which these participants were presented with the same draft variants of the communications and the same guide was followed. Participants included in the depth interviews were recruited on the basis of their stated confidence dealing with such tasks as following written instructions, reading and understanding official documents, completing forms, solving mental arithmetic problems and working out personal finances and budgets.

1.3.2. Sample structure

Across the focus groups and depth interviews we spoke with a sample representing different ages, genders, SEGs and service providers.

The focus groups

	In contract (IC)	Out of contract (OOC)	TOTAL
Standalone TV (not free to air)	1x group		1x group
Dual play	1x group	1x group	2x groups
Triple play	2x groups	1x group	3x groups
Mobile PAYM (Pay monthly)	2x groups	1x group	3x groups
Mobile SIMO (SIM only)	1x group		1x group
TOTAL	7 groups	3 groups	

The depth interviews

	Mix in contract (IC)/out of contract (OOC)
Standalone TV (not free to air)	2x depths
Dual play	2x depths
Triple play	2x depths
Mobile PAYM	1x depth
Mobile SIMO	1x depth
TOTAL	8 depths

Fieldwork was conducted in London, Manchester, Glasgow, Cardiff and Belfast between 14th and 26th February 2019.

When quotes are shown, each verbatim is anonymised with the following acronyms:

- IC (in contract)
- OOC (out of contract)
- FG (focus group)
- IDI (individual depth interview)

2. Executive Summary

2.1. The notification was welcomed by all participants

The idea of the End of Contract Notification (ECN) was welcomed by all participants, primarily because it was seen as empowering consumers – both the engaged and less engaged - with knowledge of their contract, usage and options.

There was a general feeling that knowledge currently lies with the providers, with participants having little information about their usage or the exact details of their current package/service. They felt that this made it difficult for them to work out the best (or even a good) deal. Participants felt that providing customers with the information contained in the ECN would mean they could make more informed decisions on what might be the right deal for them, and information to help them negotiate with providers if necessary. Even the more engaged (who knew when their contract ended and tended to shop around each time their contract was due to end) stated that they found it useful to see their options laid out.

Therefore, receiving this communication was seen by many in the study as likely to prompt them to consider what they are paying for and whether this was still the right deal for them.

> *It's giving you options so you could look for other deals, or take their deal. I would shop around first, or use this for negotiation*
> *Dual Play, OOC, Belfast, 55+, C2DE, IDI*

It is therefore key that this communication cuts though with consumers. Much of the material received by participants was felt to be 'junk mail' and is often discarded without even being opened (email and letters). Thus, there are implications as to how this communication is positioned/packaged by providers.

The Annual Best Tariff Notification (ABTN) was also well received (albeit slightly less enthusiastically) because some participants (largely dual play and SIMO customers) stated that they were deliberately out of contract (although they were not always aware that they may be paying more), preferring the flexibility of not being tied-in to a long contract. Even so, they stated that they saw value in being reminded what might be available to them if they wished to commit to a new contract.

2.2 Participants saw merit in both 'service-based' and 'usage-based' tariffs; presenting the two together was considered the best option

If required to choose between the two, a service-based tariff was felt to provide the essential information needed to make a direct comparison

A tariff based on how customers used their service(s) was felt by participants to be personalised and tailored to the individual, which in turn helped them feel more acknowledged and valued by the provider.

> *They are saying 'this is a better deal for you based on what we know about you'*
> *Mobile PAYM, OOC, Glasgow, 18-34, C2DE, FG*

However, the transparency of this tariff was key to its impact; participants reported that without details of their current usage alongside it, they could feel at risk of being manipulated by providers into a larger, more expensive package.

Participants found tariffs based on the customer's current services clearer and easier to understand. This approach was felt to suggest transparency and was particularly helpful for those who were unclear of the finer detail of their current service.

> *This is good. There's no hard sell with this. It just shows my current deal, so that's simple & also feels like it's personalised to me. It's easy to compare*
> *Mobile SIMO IC, Glasgow, 55+, C2DE, IDI*

The highest levels of engagement came when tariffs based on service were shown *alongside* tariffs based on usage as this allowed them to compare the two and made the usage-based tariff more transparent. But if it were only possible to show *either* a 'service-based tariff' *or* a 'usage-based tariff', then 'service-based' was seen by most participants as providing the essential information needed to make a direct comparison with their current services; and so was considered the most useful tariff to have.

2.3. The inclusion of 'proportionate[1]' upgrade tariffs was welcomed

The upgrade tariffs that participants were shown were welcomed because they were seen as 'proportionate' to what they currently pay (i.e. the price increase was minor).

The upgrades that were tested appeared to participants to be the next step-up from the current package. Many participants would expect to be upsold because much of the information they already received from their service providers was marketing material. They were therefore surprised by, but welcomed, a modest step-up in the package and cost.

> *This doesn't lose me, it's not all Sky Sports and Sky Cinema*
> *Standalone TV, IC, Glasgow, 35-45, ABC1, IDI*

Where these 'upgrade' packages were cheaper than the current cost, participants said they felt less like a sales tactic and more that the provider was trying to help customers find a better deal. Participants said they were happy to 'tolerate' providers trying to upsell given the proportionate nature of the upgrade tariff. Indeed, some were excited by the thought of a new package.

However, there was also some scepticism surrounding the upgrades. This was most evident when there was a lack of understanding around the benefits of the new offer. For example, participants who did not understand whether features such as increased speed expressed in MBs or 'fibre' broadband offered them a genuine benefit for the increased cost, found it hard to determine whether this was the best deal for them.

> *I can see this goes up to 10GB from 4GB, but what does this mean? Not sure I'd know if this was worth £8.*
> *Mobile SIMO, IC, Glasgow, 55+, C2DE, IDI*

Participants classified as 'unengaged' said the upgrade tariff (presented in the study) was unlikely to encourage shopping around, with many saying they were likely to just compare their 'service' tariff to the 'usage' and/or 'upgrade' tariff and make a decision based on these. However, most stated that it would be likely to prompt them to engage with the market.

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[1] Participants were provided with mock-ups of the proposed notifications, which included an upgrade tariff with a minimal cost increase

2.4. Three tariffs - service, usage and upgrade - were felt to be the optimum options to include

These three options, alongside their respective contract lengths, provided the information needed to make an informed decision on the right deal.

These three tariffs were felt by most participants to give a reasonably complete picture, helping them to compare the closest comparable tariff on a new contract, a potentially better tariff for them based on their current usage and a proportionate 'upgrade'.

Service (Tariff 1, variant 2)	Usage (Tariff 1, variant 1)	Upgrade (Tariff 2)
• Details of the current package (or closest available equivalent/ comparable tariff) • Length of the new contract • Cost of the new contract	• Details of a tailored package based on usage • Details of their current usage (& what this is costing) • Length of the new contract • Cost of the new contract	• Details of a suggested upgrade package • The benefits of this package cf the current one • Length of the new contract • Cost of the new contract • 'Click here' for other options (email)
Helps assess value/current service vs other tariffs – provides a benchmark	*May be most beneficial/ valuable – tailored to their needs*	*Often most exciting element*

However, all tariffs presented **were felt by participants to be missing the new contract length**. This was considered to be an essential piece of information as it joined the dots for them; explaining why the new tariff costs were lower (because they would be required to sign up for a new contract). It also clarified what they would be committing to with the new package.

Mobile PAYM participants' reaction to the inclusion of a SIMO tariff depended on their intentions. Those participants who liked to have the latest handsets were already researching possible new phones and contracts. So, for these customers, the SIMO tariff was irrelevant because they could not see themselves moving to such a tariff. For those that were less interested in the latest phones, inclusion of the SIMO tariff was felt to be valuable; and those for whom the tariff was not relevant could chose to ignore it.

2.5. The 'new customer tariff' felt most likely to prompt engagement

One tariff presented to participants was the cheapest cost the service was currently offered by the provider. Often this is only available to new customers and therefore was referred to as 'the new customer tariff'.

The 'new customer tariff' was the most contentious of all the tariffs. Most participants said it created anger and frustration and would be likely to prompt them to engage with the market.

> *It would make me ring up and ask about it, and possibly leave*
>
> *Mobile PAYM, IC, Belfast, 55+, ABC1, IDI*

This engagement would be likely to result in customers either:

- Calling their current provider and complaining;
- Calling their current provider and negotiating a new deal using the new customer tariff as leverage; and/or
- Looking at what other providers might offer.

"I would contact Sky to say I want this one [new customers tariff]. Then I'd check out other companies, such as Virgin. That's a cheek, where's my reward for loyalty?
Triple Play, OOC, Manchester, 55+, ABC1, IDI

The inclusion of this tariff initially confused most of the participants, particularly those with lower levels of literacy/numeracy, as it was presented as a tariff that may not be available to them. These more vulnerable participants tended to ignore its inclusion focussing more on the 'service' and 'upgrade' tariffs.

However, despite being confused by this tariff, the majority of participants said that it would at least make them engage with the market. . Furthermore, once its purpose was explained to participants (to demonstrate that some customers, such as new ones, may get better deals and that the best deal for them might be with another provider), they saw inclusion of the new customer tariff as fair, honest and transparent – feeling that it might encourage them to seek out the best deal, potentially using the information as a negotiating tool.

Participants said the inclusion of the 'new customer tariff' added to the feeling of empowerment, stating that they were seeing the complete picture at this stage i.e.:

- *Current package:* What package the customer is currently on and when this ends;
- *If go out of contract:* What the price will be if the customer takes no action;
- *Current package with new contract:* What the best price is for this package now (or the nearest equivalent);
- *Usage based package with new contract:* What they are using and the best price based on their usage;
- *Upgrade tariff:* The cost and specifics of an upgrade;
- *New customer tariff:* What deal they might get elsewhere as a new customer.

There was a danger that the irritation towards the 'new customer tariff' might distract from the other tariffs included in the letter. Therefore, many participants felt this 'new customer tariff' might sit better underneath (or at least separate from) the other tariffs to allow these to be comprehended on their own.

2.6. Mention of 'Ofcom' was said to provide context

In general, participants said mentioning 'Ofcom' helped them understand why their provider was telling them they could get a better deal – which then enabled them to more easily digest and understand the information.

Participants felt that mentioning Ofcom in the communication provided valuable context, helping to make sense of the 'new customer tariff' specifically.

Several participants suggested that the addition of a line such as "Ofcom requires all providers to make customers aware of new customer tariffs, even if they may not be available to them" would help them make sense of why this tariff has been included. However, many participants said this tariff would prompt them to look elsewhere, even if they did not understand its inclusion. The exception to this were the more vulnerable participants, who tended to ignore the tariff.

Some also said that the addition of Ofcom would also add more weight to the letter. However, there was felt to be a balance to be had with most participants not wanting to see too many Ofcom logos/mentions - this was a letter from their provider and they were more interested in what they have to offer than why they might be providing this information.

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