Tesco Telecoms

Response to Ofcom consultation

Strategic Review of Customer Switching

Submitted: 26 November

Introduction

Tesco Telecoms encompasses the Tesco Broadband, Tesco Internet and Tesco Homephone brands. Tesco Telecoms also encompasses Tesco Mobile, a joint venture between Tesco and O2.

Tesco Telecoms provides fixed line telecoms services under following brands

- Tesco Homephone – a WLR and CPS Homephone service

- Tesco Internet – standalone Narrowband and IPStream Broadband

- Tesco Broadband – an LLU MPF Bundled Homephone and Broadband service

Key Points

Tesco Mobile responded to the proposals contained in Ofcom's consultation document, *'Mobile Number Portability – Review of the porting process'*, published 3rd August 2009. Given the imminent changes to the PAC process, Tesco Telecoms has focused it's response on fixed line telecoms where we believe significant customer improvement can be made.

Tesco Telecoms favours simple, transparent, flexible and consumer-focused regulation which promotes competition and enables us to provide good value, quality products and deliver excellent service to our customers. This includes enabling customers to switch providers swiftly and simply. Consumers should be free to exercise choice over their telecoms provider and any barriers which prevent this or stand in the way of a competitive market need to be addressed.

We agree with Ofcom's assessment that switching providers can be a complex process for consumers and therefore welcome this review into whether the current approach delivers good consumer and competition outcomes.

Tesco Telecoms believes that under the current system, many customers will experience a great deal of hassle both in initiating a switch and then in the process involved in carrying out that switch. Experienced and perceived difficulties with switching can dampen competition.

Continuity of service is important to customers and we believe that concern over this would provide a significant barrier to switching. Examples of this lack of continuity include:

1. Delays to activation

2. Loss of service upon activation ('dead on arrival')

3. Continued billing by losing providers ('bill past loss')

4. Customers left without inbound calls as a result of a breakdown in number porting

5. Customers not being able to port their number

We feel that switching can only increase to the levels seen in the insurance and energy industries if these issues are improved along with a consumer's ability to easily initiate a switch. We are pleased that Ofcom has chosen to address the problems associated with initiation, but feel that they should place equal weight on the service consumers experience after this.

We agree with the general switching principles that Ofcom have set out and that the preferred switching approach should be a 'Gaining Provider Led' process. When considering which form of GPL process to use, Ofcom will need to take into account that there are already switching processes in operation in both the fixed line and mobile markets and that the industry should work to improve a process already in place.

On this basis we recommend the utilisation of the existing 'NoT' process for migration in the fixed line and broadband sectors. We welcome the opportunity to build on this existing process in order to achieve

1. A reduction in slamming

2. A framework that works in the consumer's interest without applying a significant burden on Ofcom or the OTA

3. A smooth and speedy rollout across the industry.

With regards to migration in the mobile sector we propose waiting for the introduction of the 2 hour PAC processes as planned and to review the position at a later date. The mobile and fixed line markets are very different in terms of their infrastructure so may require different switching processes, however the two must work well together to ensure that switching in both markets is simple and easy for consumers.

Ofcom consultation questions

Question 1: Do you think hassle is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

Yes. Tesco Telecoms agrees that hassle is a key issue that Ofcom should tackle in this review. The research outlined highlights that a significant number of customers perceive switching to be a hassle

However we are concerned that the analysis does not touch on the hassle that can be caused by the process of switching, as well as the hassle involved in initiating a switch. We believe that in fixed-line and broadband markets, it is the former which presents the largest barrier to switching. Examples of issues encountered during the switching process include:

- Engineering issues causing delays to activation or loss of service
- Continued billing by losing providers ('bill past loss')
- Porting difficulties resulting in customers left without inbound calls or not being able to port their number
- Unfair Early Termination Charges
- Failure to provide clear information on speed

We note that the research presented in the Ofcom's Consumer Experience Report 2009 indicated higher switching levels in the electricity, gas and car insurance markets. We agree that few conclusions can be drawn from this research with respect to the initiation of switching (indeed the market with the highest switching level – car insurance – effectively has a cease and re-provide process). However we would contend that a significant part of the reason that switching is more common in these markets, is because there are few possibilities that these switches can go wrong – consumers will not have their electricity cut-off because their switch has failed.

We firmly believe that the industry, with assistance from Ofcom or the OTA, should investigate and improve the process involved in switching so that hassle or the perception of it is minimised.

Question 2: Do you agree there is a lack of clarity about the switching processes that consumers need to go through to switch and this may create a barrier to switching? Please provide an explanation for your answer and any supporting evidence.

We have answered Question 2 & 3 together below.

Question 3: Do you think clarity is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

We believe that the existence of two switching processes for broadband (or three if we include some cable to copper scenarios) does create considerable confusion for customers. Tesco Telecoms therefore supports the idea of a single switching process for fixed-line voice and broadband.

We are not convinced at present that clarity would be improved by a single process which covers the entire communications industry (i.e. one that covers mobile and pay TV), although clearly if there is more than one they must work well together and ensure that switching in each market is simple and transparent.

Question 4: Do you think continuity of service (including unwanted breaks and double billing) is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

Yes. As stated previously Tesco Telecoms are concerned that continuity of service is a serious issue for fixed-line and broadband. We believe that uncertainty amongst customers about continuity is a significant driver behind the perception of hassle. This can be particularly acute where the connection is required for education, home working or an alarm system.

Question 5: Do you think the ability of providers to frustrate the switching process is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

Yes. A successful switching process will only exist if the losing provider is unable to frustrate the switching process.

We are hopeful that rogue providers who deliberately refuse to provide MAC/PACs have departed the industry; however it is natural for providers to be hesitant to invest in processes that issue the MAC/PAC quickly without regulatory pressure. We are fully supportive of the reduction in the time taken to issue a PAC to 2 hours (indeed we think it should be possible to reduce this time even further). However in other sectors we are generally supportive of a gaining provider led process – in these processes providers are incentivised to improve switching processes, while the investment on the part of losing providers in minimal.

Question 6: Do you think consumers' experience of save activity is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

Yes. Tesco Telecoms is generally supportive of proactive retention activity – we believe providers should be able to reward customers for their loyalty to a provider. However we feel that 'save' activity where a customer has already committed to switch to another provider, can stifle competition and is not welcomed by many customers, as this analysis shows.

We agree that it may not be possible or desirable to regulate save activity. We would be concerned that a crude ban on save activity may work against the interests of some consumers who legitimately use the threat of switching to leverage a better deal from their existing provider. We feel that it would be better to design an LPL process which limits save activity where the customer has already decided to switch.

Question 7: Are there issues specific to either residential or business consumers' experiences of the switching processes that you think we should tackle in this review? Please provide any evidence you have to support your views.

No

Question 8: Do you agree with our analysis of switching costs? Please provide any evidence you have to support your views.

In general Tesco Telecoms are in agreement with Ofcom's analysis of switching costs. These support our view of the impact of hassle and continuity of service on switching.

Question 9: Do you agree with our analysis of save activity? Please provide any evidence you have to support your views.

In general Tesco Telecoms are in agreement with Ofcom's analysis of save activity. These support our view of the impact of save activity outlined above.

Question 10: Do you agree with our analysis around the multiplicity of switching processes? Please provide any evidence you have to support your views.

In general Tesco Telecoms are in agreement with Ofcom's analysis around the multiplicity of switching processes. These support our view of the impact of clarity outlined above.

Question 11: Do you agree with the general switching principles we have identified? Please provide an explanation for your answer.

Yes. Tesco Telecoms agrees with the general switching principles identified by Ofcom. These principles cover the all the concerns that we have raised in the earlier part of this consultation.

Question 12: Do you agree with our proposed tier structure for the general switching principles? Please provide an explanation for your answer.

We do not believe that the principles of 'reliable process' and 'continuity of service' should be ranked as second tier. Both are important to the service the customer experiences.

Question 13: Do you agree with our proposal that the preferred switching approach assuming a 'greenfield' basis is GPL?

Tesco Telecoms agrees with Ofcom that GPL should be the preferred switching approach. We agree that the analysis that Ofcom have presented supports this view.

Question 14: Which of the identified GPL switching options do you support? Please provide an explanation for your answer.

Tesco Telecoms proposes that the 'Enhanced GPL (NoT) process would best meet customer's needs in a fixed line context. This is based on the following assessment.

1. Of the existing processes the evidence and analysis outlined by Ofcom shows that the NoT process scores consistently better in customer research relative to the other processes on perception of hassle, unwanted breaks in service and double billing.
2. The main elements of the process are already in use by most fixed-line and broadband operators in the UK. Figure 8 shows that it is the process most commonly used by customers on these services.
3. Tesco Telecoms recognise that the bulk of slamming occurs on services where NoT is the principal method of switching. We believe that new provisions in the 'Enhanced' process should reduce slamming.
    a. Enhanced record keeping for gaining providers – perhaps through the use of a proscribed customer authorisation form (CAF) or recorded voice CAF.
    b. Losing providers recording detailed reason codes or structured questions when using cancel other.
    c. We additionally propose introducing a consumer's right to call in an Alternative Dispute Resolution scheme earlier than 8 weeks in cases of slamming.

d. Improved validation by the gaining provider of the telephone number against the postcode, and possibly against the full address or electoral register if technically and regulatory feasible.
   e. Publishing the numbers of cases lost by a provider through the ADR on a regular basis, to 'name and shame' persistent slammers
4. As the NoT process is in place with most providers today, we believe that an 'Enhanced NoT' process would be cheapest to implement by providers and therefore could be rolled out quicker than any of the other gaining provider led processes.

Question 15: Do you have any information or views on the costs of the switching options outlined above? Please provide any supporting evidence.

Tesco Telecoms believe that for the fixed-line and broadband sectors the Enhanced NoT process would be the cheapest solution to implement.

The principal elements of the solution are already in place for fixed-line and bundled voice and broadband, so extension to standalone broadband would not be a significant cost. We also believe that enhanced record keeping (which would be done online, paper and by voice recording) would also minimise costs – as the underlying processes for capturing and storing this information is already in place.

With respect to the additional enhancements that Tesco Telecoms propose – we also feel that these costs are not prohibitive – all providers should already be members of an ADR scheme, so any additional costs would only be incurred investigating allegations of individual slamming incidents. Any additional validation required would result in additional costs (in developing the validation processes and in purchasing validation data such as PAF or the electoral register) but once again we feel that these would not be major.

Question 16: Do you agree with our proposals and implementation priorities for taking forward our work in relation to existing switching processes?

Yes. Tesco Telecoms support the approach taken by Ofcom to focus on fixed-line and broadband. This is appropriate given the imminent changes to the PAC process, the prevalence of bundled fixed-line and broadband, the process difficulties associated with fixed-line and broadband switching and the lack of clarity caused by having two switching process for effectively one technology.

As we have outlined above we support Ofcom's conclusion that we should focus on GPL processes.