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Dear Lucy

### **Ofcom review of quality of service information**

Vodafone welcomes the opportunity to respond to Ofcom's consultation 'Ofcom review of quality of service information phase 1: Information on quality of customer service', published on 17 July.

#### **Executive summary**

Vodafone is committed to offering the highest level of quality of service across its services and it expends considerable amounts of time and resource to achieve this. To this end, Vodafone would welcome any initiative that offers real quality of service benefits to consumers at a proportionate cost. However, there is a lack of clear evidence that there are real consumer benefits from the kind of comparative performance indicators set out in this consultation. There is clear evidence that very few consumers will use such indicators. And there is clear evidence that the regulatory burden on the communications industry created by this sort of intervention is significant.

The current schemes – both TopComm and TopNet – have not been widely used and are of not of clear benefit to the handful of consumers who have used them. The schemes have, however, represented a significant burden on the industry that has had to develop and fund them. To argue that the schemes should now be extended seems to go against the evidence of what consumers want and disregards the burden of unnecessary regulatory intervention in an effectively functioning competitive market. Given the potentially significant consequences of Ofcom's proposals on communications providers, Vodafone would remind Ofcom of its duty to undertake a thorough assessment of the impact of its proposals, in particular through the quantification of any resulting costs and benefits to ensure that any regulation is compliant with Ofcom's statutory objectives.

Ofcom's own evidence also suggests that quality of service information is not a popular source of information for consumers comparing suppliers – and that cost is far-and-away the most significant factor. Given Ofcom's evidence, we would question any contention that it is simply lack of awareness that drives the low usage of the current Ofcom-mandated quality of service comparison sites.

Removing the existing QoS Direction would seem to be the most logical approach to avoid a significant burden on the communications industry which is not of clear benefit to the consumer.

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There are no recent examples of Ofcom adopting a de-regulatory approach in the mobile communications market – indeed the reverse is true with an ever-expanding set of General Conditions to show for its approach. Ofcom stepping back from formal regulation in this area would be a welcome demonstration of its commitment to a light-touch regulatory approach in an effectively functioning market.

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## **Abstract**

Vodafone does not see that providing answers to the 74 questions set out in the consultation as the most effective way to respond.

At least one of the questions at Annex 4, which provides a list of the questions, does not seem to match the body text. Some of the questions appear to be repeats. And it would seem to be more appropriate for Ofcom to respond to some of the questions.

We would also suggest that detailed responses on how to implement an expanded General Condition may be precipitous given that the consultation gives the options of leaving the Condition as it is or removing the existing obligation.

We therefore discuss our concerns under the following headings:

1. Questionable consumer benefit
    - i. lack of consumer interest
    - ii. consumer demand for information
    - ii. lack of useful information
    - iii. potential to drive wrong behaviour – meeting targets not genuinely improving service
  2. Market-delivered solutions
  3. Significant burden on industry
    - i. cost
    - ii. opportunity-cost
  4. Consideration of advantages / disadvantages
  5. Consultation material and approach
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1. **Questionable consumer benefit**

i. lack of consumer interest

The table below shows the number of visitors to the TopNet website for the 12 months between (approximately) July 2007 and July 2008:

Visitors	
Total visitors	38,077
Average visitors per day	1,244
Total unique IPs	14,213

This level of usage is very low and we understand that there is a similar situation for the fixed-line operator site, TopComm. This lack of interest is appreciated by Ofcom when it notes that the: “usage of the current information has been very low” (1.15).

We would also contend that this level of usage is higher than the reality of consumer use, with staff of the four operators participating, plus H3G, plus Ofcom, plus Aircom all looking at the site on a regular basis.

Given this low level of usage we question Ofcom’s rationale for extending the scheme and indeed question the proportionality of the current scheme.

ii. consumer demand for information

Vodafone contends that this lack of use is not just lack of awareness, but also represents a lack of consumer demand and cites the Ofcom Consumer Panel report ‘Consumers and the Communications Market 2007: A research report’ to demonstrate this.

The research report asserts that: “Cost is the primary information consumers seek in order to compare different suppliers, followed by service information. Cost issues are particularly important for the internet (77%) and mobile phones (73%)” (p.44). We would add that ‘service information’ seems to include coverage (with 28%) and it would appear that only 12% of consumers cited ‘customer satisfaction scores’ as a source of information they would use to compare different suppliers (p.51).

Vodafone would also stress that the Ofcom Consumer Panel research shows that, in consumers’ experience of making quality of service comparisons, significantly more people found comparing mobile quality of service to be ‘very easy’ or ‘fairly easy’ (52%) than those who found it ‘fairly difficult’ or ‘very difficult’ (32%) (p.54). We therefore contend that, for the generality of consumers, Ofcom’s contention that consumers find it difficult to compare quality of service information needs to be evidenced.

We would add that mobile communications consumers clearly do feel empowered to switch to new providers and would cite the Consumer Panel’s comment: “switching remains most prevalent in the mobile phone market, with almost two-fifths (38%) of mobile phone users having ever changed their network supplier” (p.44). And that: “Four in five consumers (82%) say that switching their

mobile phone service supplier was or would be easy; this is the highest proportion giving this view out of any of the four communication services” (p.48).

Vodafone would also remind Ofcom of the findings of the Consumer Panel when looking at trusted information sources. The research report observed that: “Across all platforms, family members are the most trusted sources of information, mentioned by about a quarter, followed by friends, cited by about a fifth. Around a fifth also choose the internet. Shops/stores are mentioned by 17% of mobile phone users” (p.44).

In summary we can deduce the following:

- Cost is far and away the most important factor that consumers consider when comparing suppliers
- More consumers find it easy to compare quality of service than do not
- Consumers feel empowered to switch
- Consumers use family or friends as their primary source of information

Given Ofcom’s own evidence set out above, Vodafone seriously questions the real benefits of mandating quality of service indicators for mobile communications providers.

ii. lack of useful information

The results on TopComm are also of questionable consumer benefit, as all the companies on which there is data frequently score more-or-less the same. This leaves much of the market with only fractions between them. It is unclear how this might help a consumer differentiate between companies on quality of service. It is also unclear how – or whether – any action is taken against those ‘failed audits’ that appear on the site.

iii. potential to drive wrong behaviour – meeting targets not genuinely improving service

It is a well-known fact in economics that targets can drive the wrong kind of behaviours. The classic example is setting doctors targets for patient survival; the driver from this being, do not take on difficult cases. There can be a similar driver with these sorts of metrics. If the metric is, for example, how quickly a company answers the phone, it may be tempted to employ large numbers of unskilled and unsuitable staff who, whilst not able to help customers and are only able to pass calls on to more senior staff, would ensure a good result in its comparative performance indicator.

Vodafone is committed to genuine improvements in customer service – and not in looking to meet artificial and arbitrary targets for the sake of it.

## 2. **Market-delivered solutions**

In an effectively functioning market, consumer protection objectives can be met through effective competition. Ofcom elevating the provision of CPIs to a goal in their own right means that Ofcom seeks to ensure well-informed consumers through regulatory intervention. Vodafone suggests that Ofcom should consider the effect of competition to ensure its policy aims.

We would also note that there are a large number of existing websites providing comment on the mobile communications sector – including comparative information. Some of these website are well-known – and have large marketing budgets to ensure that level of recognition. Ofcom should consider the fact that if there is a genuine demand, then the market will deliver its own solution. It is in industries without such a history of sectoral regulation (e.g. cars and white goods) where there

has traditionally been a plurality of comparative information available from a variety of commercial publishers and Ofcom should be mindful of the effect of sectoral regulatory intervention in an effectively functioning market.

### **3. Significant burden on industry**

#### **i. cost**

Vodafone has informed Ofcom that its participation in the TopNet website has cost around £500,000 over the three years of its existence. This figure – given the usage levels set out above – is a significant expense. We would confidently envisage another set of significant costs if Ofcom expands the scope of its regulation to more metrics. We would remind Ofcom that it should take into account this sort of cost in its decision-making process.

Vodafone would also suggest that, whilst the disadvantages of some of Ofcom's options can be readily quantifiable (so far as TopNet is concerned) and clear, the apparent advantages seem to be qualitative. It is clearly preferable for benefits to be quantified, but where Ofcom chooses to rely on qualitative benefits, Vodafone considers that Ofcom is obliged to ensure that these are fully substantiated.

#### **ii. opportunity cost**

The cost of such an initiative is not just in the outlay to support it, but also in what is not done. Vodafone strongly suggests that the £500,000 outlay could have been better spent on a range of projects and programmes – not least looking at an improved customer experience through targeted and sustainable network investment.

### **4. Consideration of advantages / disadvantages**

Option 2 in Ofcom's consultation is removing the existing QoS Direction. We do not feel that justice has been done to the advantages in proceeding with such an option and there are more than three that could – and should – have been listed (at 4.27-4.29) as we set out in this consultation response:

- Lack of consumer interest (1.i)
- Lack of useful information (1.ii)
- Potential to drive the wrong behaviour (1.iii)
- Market-delivered solutions (2)
- Opportunity cost (3.ii)

Furthermore, Ofcom recognises that there is a cost associated with the Direction, as set out in 1.15: "However there is a cost associated with collecting and publishing information on quality of customer service". It is therefore not helpful that one of the advantages (4.28) reads that: "Industry *may* be able to reduce the cost of supplying quality of service information if providing it on its own terms" (emphasis added). It is clear to Ofcom that this sort of regulatory intervention is costly and burdensome to communications providers and failing to recognise this clearly in the advantages section of Option 2 is misguided.

Given the potentially significant consequences of Ofcom's proposals on CPs, Vodafone would remind Ofcom of its duty to undertake a thorough assessment of the impact of its proposals, in

particular through the quantification of any resulting costs and benefits<sup>1</sup> to ensure that any regulation is compliant with Ofcom's statutory objectives.

## 5. **Consultation material and approach**

The amount of material that this consultation has created is very significant and has necessitated a considerable amount of staff time to go through it all. The consultation involved a 91 page consultation document – with 74 questions – three annexes with 100 more pages and a summary (and a plain English summary) and a set of FAQs.

We would suggest that Ofcom's detailed mechanical questions as to how an expanded QoS Direction should operate might be precipitous. It would have been a more logical approach to first look at the consumer demand and consumer benefit for this sort of initiative before going into the detail of how it might work. This sort of step-by-step approach would have allowed Ofcom to assess more readily the appropriateness and proportionality of its approach.

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If you have any questions about this response, please do not hesitate to contact me.

Yours sincerely

Richard Sullivan

Richard Sullivan  
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<sup>1</sup> Pursuant to Ofcom's stated guidance 'Better Policy Making: Ofcom's approach to Impact Assessment', paragraph 5.30