

iChoosr response to the CMA's Provisional Decisions on Remedies Report

Introduction

1. iChoosr is a next generation intermediary service¹. We help people achieve more in the energy market, with less effort; acting rationally so that they don't have to. We are the pioneers in collective switching – one of the most innovative developments in energy market engagement since liberalisation. We successfully introduced the approach in Belgium and the Netherlands in 2009, in the UK in 2012 and Austria in 2015. Over three million people have now participated in our initiatives in these countries, with more than one million securing a better energy deal as a result.
2. Our activity in these markets has played a key role in revitalising competition. We have engaged people who would not otherwise have switched; and offered an opportunity for accelerated growth to new entrants and small suppliers.
3. We have replicated the learnings and successes in the British energy market - ensuring many more consumers have the opportunity to win a better deal by participating in a collective switching scheme. In the UK alone we have helped over 100k households move to a better energy deal.

Only human

4. Behavioural economists make the distinction between *Econs* and *Humans*². The former are idealised rational calculators who inhabit the textbooks of economic theory. The latter are the people who inhabit the real world. And people in the real world have multiple demands on their time. Research from the European Commission³ indicates that we spend on average only 3.2 hours a week on all consumer tasks, rightly pointing to the need for “new shortcuts and comparison tools need to be found”. iChoosr's collective switching has succeeded in providing a new shortcut.
5. Ofgem has previously estimated that, at best, only 10% of people fit the *Econ* mould - proactive switchers, who search the market and switch without prompting.⁴ That means 90% are *Humans*. It's a figure that's unsurprising in a market where complexity, confusion and distrust heighten switching costs and reinforce perceptions that the pain of switching outweighs any gain that might be achieved.

¹ <https://www.ctrl-shift.co.uk/news/2014/01/24/next-generation-intermediaries/>

² cf: *Nudge: Improving Decisions about Health, Wealth, and Happiness*, Richard H. Thaler and Cass R. Sunstein. Yale University Press, 2008

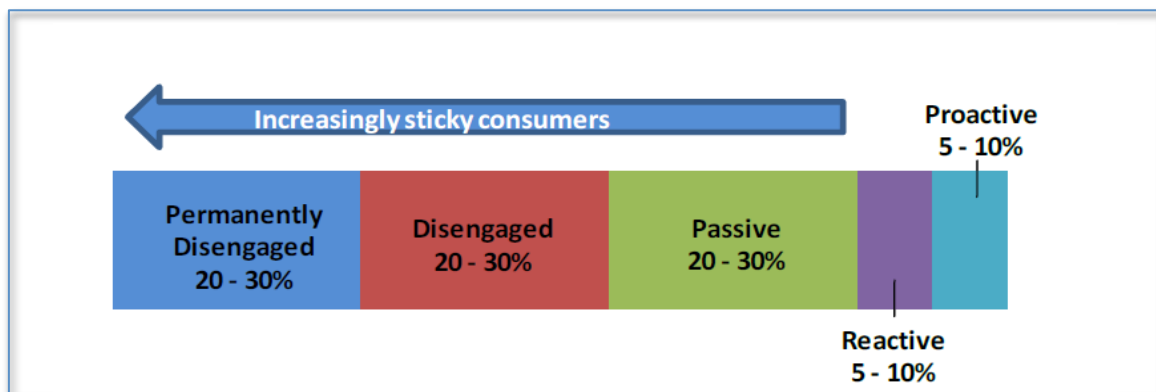
³ European Commission Staff Working Paper (2011): Consumer Empowerment in the EU (SEC [2011] 469 final), Brussels: European Commission – p.10: <http://bit.ly/J45aRI>

⁴ Ofgem (2011) Retail Market Review, Findings and initial proposals – p.29 <https://www.ofgem.gov.uk/ofgem-publications/39708/rmrfinal.pdf>

Engaging with the inexperienced customer

- iChoosr offers a completely different proposition aiming to get the disengaged inexperienced consumer back into the energy market. Collective switching removes any need to adopt *Econ* mode and ensures a seamless switch between suppliers. It is therefore an appealing alternative for the 90%, giving them the confidence and the means to overcome their status quo and loss aversion biases.

We believe that increasing consumer awareness of the availability of price comparison websites will benefit a certain type of consumers, i.e. the proactive and reactive consumers representing 10-20% of all energy consumers. See Ofgem's segmentation of energy customers engaging with the energy market in the diagram below.⁵



- From our own experience we agree with this Ofgem segmentation of energy customers where it says that the passive, disengaged and permanently disengaged customers represent 80-90% of energy customers. We find very similar figures in our data when registrants sign-up for our schemes. Our data also tells us that two-thirds of our registrants - attracted largely through Councils' local promotion campaigns - indicate that they have never switched energy supplier, or at least not in the last three years.
- Additionally we find that on average 10% of people that sign-up with our schemes with local authorities are people without access to internet or email. Typically elderly people, 'vulnerable' people and people who need some extra support with understanding and registering for the scheme. Our research tells us that most of these people are on 'standard variable' tariffs and are effectively inexperienced energy buyers.

⁵ Ofgem (2011) The Retail Market Review, Findings and initial proposals.

Our GB initiatives are witnessing a steady increase in the number of households that confirm their intention to switch via the offline service. In our most recent collective scheme, 51% of those who registered offline successfully switched. We think that we have found an effective way to engage with the 80-90% passive, disengaged and permanently disengaged customers.

The Data Base Remedy

9. The group of customers within this definition (not switched for three or more years from standard variable/default tariffs) are the very same which have a high propensity to participate in council lead collective schemes
10. These customers have resisted/ignored the advice and recommendations of their existing suppliers, rival suppliers, TPIs and Government campaigns. Based on this, it is our belief that allowing rival suppliers to further 'direct market' to these disengaged customers is unlikely to result in a high level of engagement

Recommendation

11. Allowing access to the database of the Disengaged Domestic Customers to trusted and independent organisations which might include councils (those without a supplier licence), charities and consumer interest groups to offer collective switching schemes, recognised as a route adopted by the disengaged, could enhance the growth of consumer engagement
12. Making additional funding available to councils wanting to engage the disengaged energy customer via collective schemes targeting the disengaged Data Base

Market Wide Cheapest Tariff Messaging

13. We believe this will be complex to administer and monitor with the rate at which some smaller suppliers introduce new tariffs, the recommendation than suppliers engage PCWs with exclusive tariffs, the established collective scheme organisers and the proliferation of small collective schemes.

Recommendation

14. Keep Cheapest Tariff Messaging requirements as they are. A valid first step to get a customer to engage with the energy market is to engage with their existing supplier. The existing Cheapest Tariff Marketing presents a solution, already in place, which according to Ofgem's "own customer research showed a positive early impact for the Cheaper Tariff Messaging" (as stated in the CMA's Provisional Decisions on Remedies Report)

For publication – 7th April 2016

Submitted by George Frost, UK Country Manager, iChoosr