



Improving Retail Service Quality: Switching

Public Version

Commerce Commission

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Introduction

1. Spark welcomes the opportunity to comment on the Commerce Commission's Improving Retail Service Quality: Switching issues paper. The evidence suggests that switching generally is working well, but there is room for improvement.
2. The Commission's GravititasOPG report shows a mere 4-5% were dissatisfied with their switching experience. Overall, most consumers are satisfied with the switching process, are not discouraged from switching again in the future, and where issues are experienced during the switching process, these are generally minor and acceptable.
3. Switching serves an important role in supporting a competitive market by allowing customers to change providers, products and services. Conversely, if switching is overly difficult then consumers won't be able to take advantage of competition.
4. However, switching cannot be considered in isolation and any regulation needs to be mindful of the trade-offs underlying its policy decisions. For example, there are trade-offs between increasing the ease and speed of the switching processes and security protections designed to stop people being scammed (SIM swaps in particular). Similarly, optimising switching to avoid overlapping billing periods – such as aligning switching dates to bill cycle dates - will also affect the speed of switching.
5. The telecommunications industry already has mature switching processes in many areas. We are open to reviewing and reimagining switching processes where issues are identified, and look forward to engaging with the Commission on priority areas for further refinement to understand the trade-offs involved.

Context

6. Switching is technically and operationally complex. Seemingly similar products and services can be built on the same or different networks and technologies, with different underlying wholesale models. Customers often take a combination of services which are sometimes separate and other times technically integrated to each other. Services can include customer devices (eg mobile handsets, modems, and payment plans for each) as well as network services. Customers may have different contracts and contract terms for their services, and their services may come from different retail providers.
7. Retail and infrastructure competition has driven innovation and brought a wealth of options for customers of mobile and fixed services. Customers have benefitted from greater choice in what they buy and who they buy it from.

8. We recognise there are opportunities for improvement in some areas and we welcome the Commission exploring these. However, this needs to be undertaken in the proper context. The Commission's issues paper could – on one reading – be interpreted as suggesting that there is market failure and/or significant structural issues with switching today.
9. We think the correct framing for this investigation is that it is taking place in a generally well-functioning market. The objective should be to consider whether any improvements to the existing switching process can be identified that protect and enhance competition in that market, and create clear consumer benefits. In this framing, we think any interventions need to be specific and tightly targeted to avoid creating overly complex processes and driving significant cost into service providers (which is ultimately likely to be passed on to consumers).
10. No market will ever be perfect. The challenge is to identify the areas where market failure is significant enough that they need a proportional regulatory intervention, and the areas which can be left to the market.

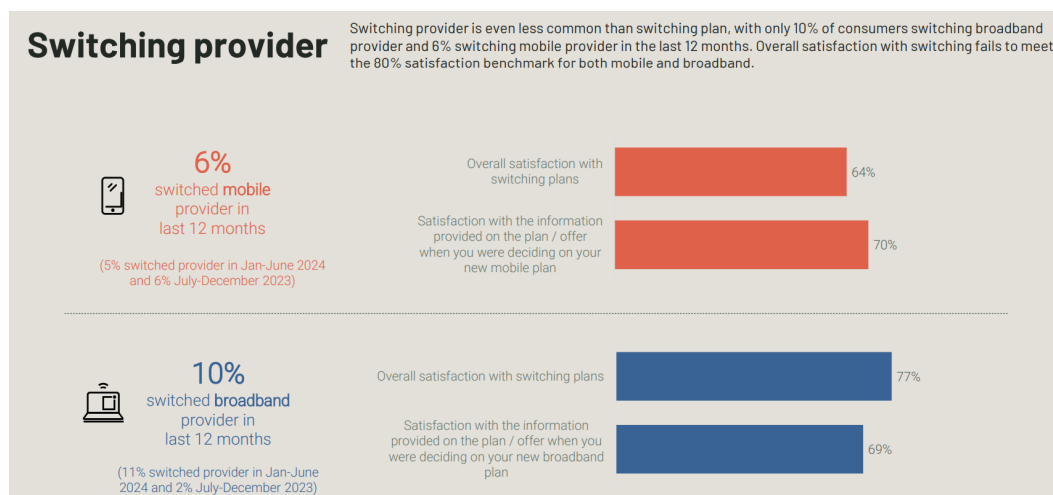
Evidence Of Market Failure And Proportionality

11. The Commission's issues paper and press release paint a picture of switching which appears contrary to the market research.
12. The GravitasOPG report notes that of those surveyed the 'great majority indicated that overall they were satisfied with their switching experience' and only 4% of mobile switchers and 5% of broadband switchers were dissatisfied.
13. This strongly suggests any systemic problems – if they exist - are not widespread. The Commission should be mindful of this bigger picture when considering the proportionality of potential new remedies.
14. Further, many of the detailed issues raised in the paper fall under general Fair Trading legislation, or other existing RSQ work streams such as product disclosure, as they relate to customer expectations about products and services, or the incorrect application of notice periods and fees.
15. In our view, this investigation should focus solely on the switching process, and consider Fair Trading or product disclosure items within those frameworks. For each RSQ workstream the Commission should in parallel review whether Fair Trading legislation is sufficient to achieve its objectives. RSQ options should only be used in areas where Fair Trading and other legislative or regulatory options are not suitable.
16. The consultation includes a list of 'possible improvements' such as approaches to switching issues taken overseas. It is premature to consider remedies before the Commission has concluded there is a problem.

17. Remedies need to be proportional to the problem identified and properly considered in the New Zealand context. A remedy implemented overseas may not be appropriate here due to market size and structure, and differences in regulatory context. For example, the UK has had issues with service switching dating back decades due to the prevalence of fixed term contracts – this is not a feature of plans in New Zealand. Issues such as the ability for providers to ‘winback’ customers during the switching process can also inform the regulatory approach taken in different markets.
18. We look forward to further discussions on proportionate and appropriate remedies once the Commission has completed its problem identification phase.

Use of Evidence

19. We are concerned that the Commission has taken an unfairly negative perspective when presenting the results of the GravititasOPG report, and its own Telecommunications Customer Satisfaction Monitoring Report, in its issues paper.
20. These reports on the whole provide positive information about switching that supports a view that most consumers are satisfied with current switching processes: As noted earlier, the GravititasOPG report shows only 4% of mobile switchers and 5% of broadband switchers were dissatisfied.
21. Page 15 of that report shows that for mobile, 27% of switchers were more likely or a lot more likely to switch again in the future, and 39% were just as likely to switch as they had been before. Therefore 66% did not have a negative experience.
22. In contrast, in the issues paper the Commission just calls out the 29% who are less likely to switch. For broadband the figures are 25% more likely or a lot more likely to switch vs 27% less likely or a lot less likely. While not ideal, a net 2% negative experience for both mobile and broadband does not seem like a problem which requires significant regulatory oversight.
23. In the Commission’s report, the Commission found that 64% of mobile switchers, and 77% of broadband switchers, were overall satisfied with their switching experience. Yet in the issues paper, the Commission highlights the negative (para 53.1) *“36% of mobile customers and 26% of broadband consumers who had switched were unsatisfied with the switching process”* :



24. Framing of these results is important for the Commission's process, and for the confidence of stakeholders in it.
25. By way of comparison, the Commission's recent Understanding Stakeholder Perceptions¹ report takes a more positive interpretation of similar proportions. The heading 'Stakeholders continue to see the Commerce Commission as having a significant impact on New Zealanders' is used where three-quarters of stakeholders have given a positive response.
26. And where the Commission sets a satisfaction "benchmark" of 80% for consumer satisfaction for telecommunications switching, its Stakeholder Perceptions report shows results in the range of 46% to 61% for areas where it demonstrates "its greatest strengths".
27. We accept that the Stakeholder Perceptions report and the GravitasOPG report are surveying different types of stakeholders so the results need to be interpreted appropriately, but the differences in commentary highlight the impact framing can have in providing fair context to a reader or participant.
28. The data from the INSIGHTS HQ survey was not made available. This report is not targeted to switching like the GravitasOPG survey is. Therefore, these conclusions provide a limited understanding of consumers' switching experience and should be supplemented with the findings of the GravitasOPG survey rather than used in isolation.

Levels of Switching

29. It is difficult to compare levels of switching internationally when we don't know the context. For example, New Zealand customers may be less likely to switch because they are happy with their current provider. That's not a market failure. Slide 11 of the GravitasOPG report shows that where customers are switching, it's

¹ <https://comcom.govt.nz/about-us/research/understanding-stakeholder-perceptions>

overwhelmingly for positive/pull reasons (in search of a better price, more value from a competitor) rather than for negative/push reasons such as poor customer experience or technical issues with their current provider.

30. The incidence of consumers switching providers tells only part of the story. The level of consumers changing plans with their current provider is an equally important part of understanding customer mobility as providers seek to gain and retain customers within a competitive landscape. The most recent Telecommunications Monitoring Report² shows that 17% of urban customers switched plans with the same provider in the preceding 12 months. This is a significant amount.

Many Of The Issues Identified Are Not Switching Issues

31. The discussion document is complex and covers a number of different issues.
32. Many of the issues identified by the Commission are not exclusively switching issues. These are issues which could also arise if a customer signed up for a new service in isolation, or cancelled their service without it being part of a transfer. For example, an issue with the customer being surprised by their first bill from their new provider will likely be the same whether their cancellation is part of a transfer or a brand new connection.
33. Non-switching issues covered in the report include:
 - getting credits back from the old provider
 - communications issues about the new product or service
 - Billing surprises due to the customer not being informed of a charge, or lack of understanding in how a service will be billed or a non-switching process will work
34. Only issues specific to switching should be in scope.

Some Of The Issues Identified May Not Be Industry Wide

35. We suspect some of the issues are driven by particular operators (either as the gaining or losing provider). The GravititasOPG report does not break down the results by provider (except for a couple of specific mentions) so we can't tell the significance of each issue from an industry perspective. Despite asking, the raw data provided by the Commission did not include provider level information. This would have been useful even in an anonymised format.

² Figure 31: Figure 31: Time spent with current broadband provider in urban areas (2023)
https://comcom.govt.nz/_data/assets/pdf_file/0033/361959/2023-Telecommunications-Monitoring-Report-15-August-2024.pdf

36. Spark is mentioned in the report on page 65 'Situations with higher negative experience' because a higher proportion of customers switching to Spark needed some kind of help or customer support. We suspect this is related to the demographics of customers joining Spark (weighted by landline customers who have had their service withdrawn by other providers), rather than this being a Spark specific or general issue. In any case, the report should not necessarily conclude that customers using extra help or technical support had a negative experience. Customers may have welcomed the extra support, and it may have been that the extra support was not available from other providers.
37. We do not therefore have a sense check of whether switching issues are industry wide, or their drivers to understand their cause.

Prioritisation of Issues

38. There is no analysis of the scale of specific issues in the report as the numbers are too aggregated. Given that only around 5% of people were dissatisfied with their switching experience, the numbers for each of the issues identified is likely very small, especially after removing the non-switching issues from the list.
39. No market will ever be perfect. The challenge is to identify the areas where market failure is significant enough that they need a proportional regulatory intervention, and the areas which can be left to the market.
40. As noted above, the Commission should be focussing on items which are specifically related to the switching process, and considering the trade-offs of intervention carefully.

Mobile Porting - SIM Activation Process

41. Mobile porting is a good example of a trade-off between process and safety. The mobile porting 2FA switching process was not created by marketing failure or a desire to make switching difficult. It was a direct response designed to protect consumers from porting scams which were a significant consumer issue at the time.
42. Porting scams are a way for scammers to take control of someone's mobile phone number so they can receive 2FA banking texts meant for the customer. This enables the scammer to authorise transfers of funds from bank accounts which they have already compromised. The bank transfer could be completed before the customer even knew their number had been ported.
43. To remove this risk, the industry introduced an additional validation step to ensure the current owner of the number receives a text message to confirm the port is valid before the port would proceed.
44. These scams were effectively eradicated by the new process, potentially saving customers from huge financial losses – but it has introduced extra steps for

customers. This is a trade-off between security and ease of transfer. If there is a better way to balance anti-scam protections and customer porting then we are up for an industry discussion on that.

Review Of Current Switching Processes

45. There are a few specific areas where further work is needed to identify the problem and review the policy trade-offs.
46. It would seem appropriate for the TCF to review the current industry switching process to identify areas which could be currently leading to customer dissatisfactions. For example, are there issues relating to order management where a customer contacts places an order with their new provider then separately contacts their losing provider to tell them they are leaving and cancel their service.

Missing Switching Processes

47. There is currently no operational processes for coordinated switching between broadband products on different technologies (fibre, wireless, cable, satellite). This is an area to explore further through the TCF to minimise double billing while ensuring service continuity.
48. These processes can build on the current TCF processes once they have been reviewed.

Notice Periods

49. Notice periods are a feature of the New Zealand market. An approach which aligns switching with the notice period expiry date may be a proportionate approach and can be explored further through the TCF Code review process.

Possible Improvements

50. We have not commented on the items identified in the Possible Improvement section of the document as these need to be considered in the context of the scale of the problem identified. We understand the Commission is not considering implementing any of the items listed at this stage.
51. However, we note the UK approach to switching has been a significant project which has been extremely costly to the UK market. It follows decades of challenges with switching in the UK market due to the prevalence of fixed term contracts, the historical differences in switching approaches for broadband and landlines, and the popularity of bundles made up of different combinations of landline, broadband, mobile, and PayTV services.