

Submission on Consumer Plan Comparison and Switching Consultation Paper

By Denis Tyurkov, CEO of Glimp

08 March 2024

Q1. What are your views on the key issues around supporting consumers to compare and switch, and barriers for consumers? Are there others than those outlined above?

As seasoned members of the industry, we hold the view that facilitating consumers to compare and switch services is of utmost importance in driving switching uptake. Such facilitation not only enables users to economise but also streamlines their lives by centralising the process in one location. Moreover, it promotes healthy competition among retailers.

Since the inception of Glimp in 2016, we have observed switching behaviour to gain insight into the needs of our users, and we are happy to share those observations with you:

Our research findings suggest that the majority of consumer switches (at all income levels) are largely driven by external factors such as moving homes. The other major factor is the frequency of household budgeting.

Higher-income households that had a monthly and yearly budget were more likely to switch and realise savings potential - whereas lower-income households that budgeted week to week were much less likely to switch. It's important to note that while yearly savings (between \$200-300) may seem significant, looking at the rate of savings on a weekly basis can lead to inertia. This is one of the key problems that needs to be addressed.

If a cheaper plan is available, consumers have also reported that they can be hesitant to switch if they are already (or if they believe that they are already), on one of the cheapest plans.

Additionally, our platform has been well received by our users, who have expressed their satisfaction with the ability to access multiple comparative tools in one location. They have reported being able to achieve "significant savings" by conducting multiple switches in a streamlined and efficient manner.

Q2. Do you think we've identified the right opportunities leading us to review how we support comparison and switching? What opportunities do you consider most important?

We believe you have identified a range of opportunities and a review of how you support comparison and switching is critical. Comparing the effectiveness of the currently funded incumbent (PowerSwitch) against the other players in the market will be important in this review.

We are happy to assist you with our figures for you to run a detailed analysis of the costs, switches and wider impact. We urge you to consider switching numbers in the highest regard. Idle website users should not be a consideration - as your overall goal is to promote retail competition and not brand awareness.

The Authority has a unique opportunity to conduct AB testing by collaborating with all three market players on individual initiatives to better comprehend the factors that drive consumers to switch their

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services. So, rather than pursuing the development of another solution, the Authority could launch campaigns that engage the established players.

These campaigns can postulate hypotheses on switching behavior and contribute to a wider study to establish the efficacy of different strategies. Such an approach would help the Authority to gain a deeper understanding of the drivers that shape consumers' decisions and enable it to devise more effective measures to encourage service switching, thereby promoting competition and consumer welfare.

Meanwhile, financing a single player (Option 4) will undermine the uptake of switching in the market and create an uneven playing field that ultimately leads to poorer outcomes for consumers. A plurality of switching services help drive retail market competition.

Q3. Do you consider it is important for the Authority to fund and support a comparison and switching website or websites? Why?

We believe that fair market access is essential. If the Authority is providing funding for a website, it should either result in meaningful outcomes that are far more superior to what any other commercial entity could provide, or the efforts should encourage genuine competition in the energy market through transparent benchmarks. At this stage, the switching results of the funding incumbent (PowerSwitch) are similar to those achieved by its non-funded competitors, calling into question its effectiveness.

In the past, we have expressed our doubts about whether PowerSwitch is genuinely a "not-for-profit" player. Although it has been designated as such, its practice of charging a success fee to retailers and not listing retailers who refuse to pay it, (see Electric Kiwi) is a standard commercial practice.

We would like the Authority to consider its role in fostering a competitive market for comparison and switching providers.

When a government organisation over-invests into a private entity, it can create a raft of compounding disadvantages for its competitors. Firstly the private entity gets a competitive edge by accessing resources its competitors do not, it reduces innovation as the recipient does not have to 'fairly compete' in the market. It can also crowd out private investment for competitors as investors may perceive government supported entities as either a safer bet, or deem that competition against a government funded play to be too challenging.

In the comparison and switching website space, putting other competitors on the back-foot will lead to an overall lower uptake of switching. Which will act against the intention set out by the Electrical Authority.

Fairness can be achieved by either rewarding market players based on their merits by comparing figures from all market players and allocating support based on those figures, or funding all players equally, or not providing any funding at all.

Note: Glimp has disclosed some of its switching numbers in the answers below.

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Q4. What do you think are the most important features a comparison and switching website should have to make it the most accessible and effective for users?

Based on customer sign up rates, approximately 31% of our users signed up through our call centre directly, instead of doing it themselves through a fully digital online journey. Without an effective call centre, less switching would occur.

Additionally, our users have reported that the following features are beneficial for accessibility and effectiveness:

- A user-friendly website that is easy to navigate
- Clear and accurate information about plans
- Support to assist in making the switch - for both online and call centre users
- Collaborating with retailers who are willing to work with comparison websites
- Brand awareness to drive traffic to the website
- A great behind-the-scenes team that is focused on delivering results through a result-driven approach

We believe that by addressing the above factors, we can continue to improve customer experience and satisfaction.

Q5. What problems, if any, do you see with current comparison and switching websites?

Our research shows that users tend to have a strong aversion or display distrust towards the following:

Poor Customer Service and Pushy Salespeople: Instances of unresolved queries or inadequate customer support can result in a negative user experience, deterring users from revisiting the site and tarnishing its reputation. Our customers have also reported that they have been wary of comparison sites that push a deal too hard - and if the call centre feels like a sales centre, instead of a support.

Perceived Hidden Fees or Charges: Unexpected fees or charges that emerge without clear disclosure during the comparison process often erode trust. Sites need to clarify that they are not charging this.

Limited Options: Users may perceive platforms offering only a restricted selection of providers or plans as insufficient in providing a comprehensive overview of available options, leading to dissatisfaction.

Complexity: Excessive complexity in the comparison process or the use of convoluted terminology can intimidate users and discourage their interaction with the site. Some users have reported to not understanding electricity metrics.

Biased Recommendations: Comparison sites that appear to favour or recommend specific providers or plans based on perceived financial incentives rather than genuine user benefits are met with user distrust and suspicion.

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Q6. What else should we consider when assessing the relative advantages and disadvantages of the five website-related options?

Comparison sites play a key role in fostering retail competition. If the primary objective is to promote competition for the long-term benefit of consumers, it is essential to evaluate how Option 4 can better promote competition compared to Option 3.

The pertinent query is whether supporting more players in the market will enhance or diminish competition and improve or deteriorate service quality.

Considering the experience of other industries (telco rates halved when 2degrees entered the market), it is reasonable to assume that the presence of more players in the market increases competition and improves customer service.

However, Option 4 appears to be doing the opposite, as it gives preference to only one player in the comparison switching industry, which could be considered unfair to all stakeholders involved and may eventually lead to the demise of the comparative market - resulting in a less competitive energy market. (Refer to Q3 for summary of compounding issues when a government entity over invests into a single player)

Q7. Of the website-related options, which do you think would best remove barriers to comparing and switching (eg, perceptions that switching is time consuming, complex, and confusing)?

With such issues, websites need to be competitive and innovative; have the ability and budget to understand the barriers of their customer, identify specific issues and test resolutions to overcoming them. Therefore, we believe that Option 3 would foster more competition, improve and refine innovation in the market, as it ensures fair market access.

Other website options can lead to uneven playing grounds, which hinder true competition and innovation.

Q8. What other types of website-related options, if any, should we consider to support comparison and switching and why?

As noted earlier, the Authority has a unique opportunity to conduct AB testing by collaborating with all three market players on individual initiatives to gain a better understanding of the factors influencing consumers' decisions to switch their services. Rather than developing another solution, the Authority could initiate campaigns that involve the established players.

These campaigns can propose hypotheses on switching behaviour and contribute to a broader study to determine the effectiveness of different strategies. Such an approach would enable the Authority to delve deeper into the factors shaping consumers' decisions and devise more effective measures to encourage service switching, thereby promoting competition and consumer welfare.

For example, campaigns could strategically target various demographics, geographical regions, and socioeconomic groups to ensure comprehensive coverage and maximise effectiveness. By tailoring

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initiatives to specific segments of the population, such as urban versus rural areas or different age groups, the Authority can better understand the diverse factors influencing consumers' decisions to switch services. This approach allows for a nuanced examination of switching behaviour across different contexts and demographics, leading to more informed insights and actionable strategies.

Ultimately, a multifaceted campaign strategy enables the Authority to reach a wider audience and address the unique needs and preferences of various consumer groups, thereby enhancing the overall impact of its efforts to promote competition and consumer welfare in the market.

Meanwhile, financing a single player (Option 4) would hinder the uptake of switching in the market and create an uneven playing field, ultimately resulting in poorer outcomes for consumers. A variety of switching services is essential for driving competition in the retail market.

Q9. Are there other types of technology in addition to, or alternative to, websites that we should consider?

N/A

Q10. What are your views on how retailers providing 'best plan' information could work? For example, how should they assess the 'best plan' and present/target information to consumers, and how often? What do you think of the Australian 'automated-switch' idea?

From our knowledge of the existing systems that retailers currently have, we believe that it could work and it shouldn't be too difficult for them to implement. If the automated switch works in Australia, then there is no reason why it couldn't work elsewhere - however, the annual fee to use that service could be seen as off-putting to some in the lower income threshold.

Q11. In what form do you think the community advisers service would function best? For example, what agencies might we collaborate with? What are the best approaches?

Don't have enough knowledge to comment.

Q12. What conditions or supports would enable community advisers to be best able to help consumers? What barriers need to be removed to achieve this?

Don't have enough knowledge to comment.

Q13. What else should we consider when assessing the relative advantages and disadvantages of the three consumer choice support options?

How to accurately measure the key objectives that are driving competition in the market.

Q14. Of the consumer choice support options, which do you think would best remove barriers to comparing and switching (eg, perceptions that switching is time consuming, complex, and confusing)?

Option A and Option C if option C is done in a fair way (see above).

Q15. What other types of consumer choice support options, if any, should we consider to support comparison and switching and why?

N/A

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Q16. What are your thoughts on ruling out these options? If you disagree, why should they still be considered?

It is crucial to ensure fair market access to promote a level playing field for all businesses.

Supporting other comparison services in a fair manner is an important step towards achieving more competition in the energy market.

Launching your own comparison service could also create fairness in the market, providing consumers with more options while promoting healthy competition.

However, it's important to assess the feasibility of executing such a strategy before proceeding, as the success of any initiative depends on the resources and capabilities available to implement it effectively.

Ultimately, the focus should be on promoting competition in the retail market, and fairness and transparency in the comparison market will in turn benefit consumer switching uptake.

Q17. What are your views on the criteria we've proposed to assess options. Do you think some criteria should be weighted more than others as they are more important?

Please find below our suggested set of criteria for evaluating options related to promoting market competition:

1. Objective: The primary objective should be to promote market competition. This should be the guiding principle while evaluating the options available.

2. Number of Players: The option that focuses on many players should be preferred over the one that focuses on one player. This will ensure healthy competition and a level playing field for all and improve consumer outcomes. And drive better competition in the energy retail market.

3. Switches and Users: It is important to analyse how many switches and users these players drive. This will help determine the level of competition and the potential impact on the market.

4. Operating Costs: It is essential to consider the operating costs involved. While non-PowerSwitch websites are currently operating with no funding, the overall costs involved in each option should be evaluated.

- **Already Allocated Funding:** The \$1.4 million yearly funding that is currently being held with one incumbent should also be taken into account as this could impact the level of competition in the current market.

6. Ease of Consumer Use: Letting user reviews dictate the ease of use for comparison websites would be beneficial. It is essential to evaluate the number of comparison websites available and their usability to determine the best option for promoting market competition. Users should be frequently engaged.

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7. Additional Value/Halo Effect: Does a market player create any additional benefits for the end user, could they be assisting with other utility switching, resulting in improved overall savings for the end user?

Q18. Are there other criteria you think are important to help decide on the best options?

It is important to consider the actual number of switches, not just idle website users when comparing PowerSwitch to other comparison websites. By doing this, we can evaluate the effectiveness of your allocated funding. It is worth noting that other comparators do not receive any funding, so it is worth considering how effective they could be if they did.

Q19. What's your opinion on the Authority's proposed 'four-pronged' approach to supporting consumer comparison and switching? What alternative approach might you support?

We think it is a good start.

Q20. What thoughts do you have on our current assessment of the options against the proposed criteria in Appendix D and their scores? How might your assessment differ?

We understand that there are different options available, but we find it hard to understand how Option 4 is better than Option 3. We appreciate your concern regarding the establishment of clear rules for funding comparison sites, but we believe that all current market players all abide by the same rules, so why not spread funding across?

Your main objective is to encourage competition, and we believe that Option 4 could potentially harm competition in the market by making it harder for both existing and new comparative players to compete - which will ultimately result in fewer consumers switching.

It is interesting to note that even with significantly lower funding, Glimp has been able to initiate a considerable number of switches as compared to ConsumerNZ/PowerSwitch.

In 2022, PowerSwitch reported 26,921 initiated switches, while Glimp facilitated 14,041 switches during the same period without the benefit of \$1.4m in NZ funding.

For the 2023 fiscal year, Glimp has already initiated 20,420 switches, excluding data for February and March. We anticipate concluding the year with approximately 24,000 initiated switches. This performance is particularly noteworthy because it was achieved independently of the substantial funding allocated to PowerSwitch.

These figures raise questions about the effectiveness and fair distribution of the \$1.4m annual funding. The close competition in switch numbers, especially considering our broader assistance to users in finding better deals across various sectors, such as broadband and mobile plans, suggests a need for reevaluating how funding is allocated and its impact on market competition. Therefore, Option 4, cannot be applied to any single market player.

We are open to providing and discussing this data further, underlining our commitment to transparency and the fair assessment of all market players.

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Q21. Are there any other issues concerning supporting consumers to compare and switch that you would like to comment on, whether raised in this paper or not?

We believe we raised all of the issues, and we've provided a brief summary of our view:

1. Comparison sites are supporting consumers in comparing and switching, which is vital for savings, convenience, and fostering competition in the retail energy market.
2. The current funding incumbent (Powerswitch) has been effective in achieving industry-level switching figures, with similar results as non funded players. Questions remain around whether allocating funding to a single entity (Option 4) drives competition in the entire energy retail market. We do not believe it does, and in fact we believe it is doing the opposite of its intended result.
3. In order to achieve its intended outcome of driving competition in the energy retail market, the Authority needs to prioritise fairness and healthy competition in the comparing and switching website market. This could mean supporting all players equally, based on their merits, through individual campaigns to drive a better understanding of switching behaviour - or providing no funding at all.
4. Electrical Authority's criteria must assess actual switching figures and not idle website users. The focus must be on driving competition, which is not the same as driving brand awareness.
5. External funding must be allocated fairly to promote healthy competition, by funding a single entity the Authority establishes an uneven playing ground that brings compounding, negative effects on players that do not receive access. This has a negative flow on effect on the energy retail market - leading to poorer outcomes for consumers.

Thank you for considering our input. We are available to discuss any of our responses in more detail with you.