

# Game Changers?

A review of Next Generation Intermediary Services  
for Citizens Advice

Report summary

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# Executive Summary

## Introduction

Widespread consumer inertia and the diminished competition that results reflect the high switching costs that characterise ‘confusopoly’ markets, such as energy, financial services and telecoms. Next Generation Intermediary services (NGIs) are emerging as an innovative response to these problems. NGIs enable consumers who lack the time or inclination to engage in these markets of their own accord to say ‘do it for me’ and have an NGI go to work on their behalf. In undertaking the heavy lifting of market engagement for their users, NGIs promise to:

- Cut through the multitude of offers in a market with laser-like precision - identifying which one best fits the specific requirements and/or context of the consumer, so that the consumer doesn’t have to
- Present that information in impartial, intelligible formats - offering clarity on the savings the consumer can achieve and supporting a straightforward switching decision.
- Enact the consumer’s decision to switch - overseeing the end-to-end switching process and dealing with any problems that arise.
- Offer a perpetual service - continually monitoring the market in line with criteria set by the consumer - potentially offering a delegated decision making option (i.e. the consumer authorises the NGI to enact switches without first seeking a decision).

By going with the grain of inertia, NGIs can achieve better outcomes for less effort for their users (described here as ‘profitable disengagement’), and drive competition in the markets in which they are active – not least by offering challenger and new entrant providers an efficient acquisition channel.

The research<sup>1</sup> underpinning this report examined the extent to which NGIs are realising this potential and the following highlights its key findings.

## Summary of key findings

### NGIs are effective

- **‘Do it for me’ is becoming a reality** for consumers in energy, some financial services, telecoms and beyond, with the emergence of NGIs that *do* cut through the complexity of these markets and *do* minimise switching costs for consumers.
- **NGIs are achieving meaningful savings for consumers** - making a reality of better outcomes for less effort. That several NGIs offer a perpetual service and repeat the process at defined intervals, means ‘profitable disengagement’ can be sustained, rather than a one-off.
- The emergence of NGIs is **helping smaller providers and challengers** gain market share in some markets. Despite instances of barriers and reluctance, large incumbents are increasingly accepting that NGIs are here to stay.

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<sup>1</sup> The research involved detailed interviews with NGI practitioners and experts, alongside a review of relevant policy and regulatory developments during the last three years. Further detail on the methodology is provided in the full report.

## The current reach of NGIs

- **Success at scale does exist** – for example, it is likely a sizeable proportion of all energy switches now take place via Cheap Energy Club – **but NGIs for the most part still operate at the peripheries of their markets**, and remain little known relative to the major price comparison websites (PCWs).
- As a result, some **NGIs are at risk of from ‘circle of lows’ - where low consumer awareness equals low trust, resulting in low uptake and usage**. Consumers can be unwilling to take the few steps necessary to onboard with an NGI service, even where this offers an immediate saving and an ongoing benefit in return. Personal data is a key input for the optimal functioning of NGI services, which may exacerbate these issues.
- Beyond the exceptions, **current low take-up translates as relatively low-impact in terms of transforming NGIs’ respective markets for the better**. So, while on an operational level the potential is being realised – NGIs are showing ‘do it for me’ can work and are empowering individual consumers to realise meaningful savings – the competition igniting, positive disruption is yet to fully materialise.
- That said, practitioners believe it is inevitable that NGI approaches will become the norm; and **some are experiencing strong demand from a low-base and attracting investment**.

## Target audience and current users

- NGI practitioners believe widespread consumer disengagement in their respective markets will translate as widespread appeal for their services. Their insights indicate **a cross-section of consumers are currently using NGI services**, with some variation by market.
- Some energy NGIs have developed specific initiatives to support consumers in vulnerable circumstances. More widely, it is felt that ‘do it for me’, demonstrable savings and growing smartphone ubiquity will mean NGIs can benefit consumers in this segment.

## NGI business models

Most (but by no means all) NGIs are free to use for consumers, with revenues derived from a commission paid to the NGI by the gaining provider. The findings indicate that:

- **Practitioners who have adopted a free to use model recognise the risks it presents** (e.g. provider capture) **and the need to maintain alignment between the interests of the NGI and its user**. A range of measures have been implemented to mitigate these risks, including:
  - Flat commission fees - removing any risk of bias towards any supplier offering preferential payments
  - Impartial algorithms programmed to identify the best deal for the consumer, without reference to the commission payments offered by the provider
  - Transparency that commission is paid and, in one instance, the value of payments received
  - Reverse auction models, where the winner is the provider making the best offer
- However, **some make the counterargument that a consumer-pays model is the best way of building trust**, as it removes conflicts of interest and ensures NGI and user interests remain aligned.

## External dependencies and factors that constrain the optimisation of NGI services

- **Access to data: data is the lifeblood of NGI services and key to offering the functionality and services that set them apart.** However, some NGIs are starved of direct access to these data. This in part relates to provider data (i.e. tariff and pricing information), and in part to authorised access to consumer data - primarily concerning current contract arrangements and consumption and transaction histories.
- With regards to **provider tariff and pricing data**, NGIs are currently reliant on (i) affiliate marketing companies, (ii) services that specialise in collecting, curating and selling on tariff data, or (iii) developing direct relationships with providers. In regulated markets, this **can represent a barrier to entry for NGIs and is therefore a key area for action** (see recommendations).
- **With regards to consumer data**, the government's Midata initiative should have provided the way forward, but progress has stuttered. **The new EU General Data Protection Regulation is set to drive a step-change** in this respect and will realise the data portability goals of Midata.
- **NGI practitioners advocate for API-based approaches** as the best way of providing live, efficient access to the required data. The CMA and Government's vision for and implementation of 'open banking' based on APIs, offers a blueprint for other sectors.
- **In the mobile telecoms market, the lack of a gaining provider-led switching process acts as a barrier** to NGIs offering a seamless 'do it for me' service (i.e. the consumer is still required to engage in the process).
- **Regulators have, to varying degrees, demonstrated an appreciation of the distinct nature and potential of NGI services.** However, there can be a disconnect between orthodox regulatory cultures (and mandates) and the agile, tech-centric nature of NGIs. The emergence of regulators' in-house innovation hubs could start to address this, provided their remit encompasses market intermediary services.
- **NGI practitioners recognise the value of accreditation** and express an interest in it. However, in energy the current incarnation of the Confidence Code is deemed to be unsuited to NGI models.

## Recommendations

Based on these findings, the report makes recommendations focused on practical steps to support the development and further realise the potential of NGIs. The recommendations span three themes: (1) raising consumer awareness of NGIs, (2) building consumer trust in them, and (3) optimising NGI services by addressing the data challenges they face.

# Report Summary

## Background and context

In its 2014 paper<sup>2</sup> setting out the potential of Next Generation Intermediary services (NGIs), Consumer Futures<sup>3</sup> envisaged a world where consumers who lacked the time or inclination to trawl around for a better energy, financial services, or telecoms deal, could instruct a new kind of intermediary service to ‘do it for me’. Once that service had identified the offer that best met a consumer’s declared criteria or preferences, the consumer could again say ‘do it for me’ and have the service instigate and oversee the switch to the provider of that offer. The NGI could repeat that process at defined intervals, becoming a perpetual service that granted consumers the peace of mind that they were always on the offer that represented best value in relation to the criteria set.

That paper described the envisaged outcome as ‘profitable disengagement’: ‘do it for me’ would enable consumers to do better by doing less in those markets – effectively transforming inertia from a force that works against consumers, to one that NGIs could leverage in their favour.<sup>4</sup>

This counterintuitive notion of better outcomes for less effort represented a notable departure from the orthodox toolkit for increasing consumer engagement and, therefore, competition in the regulated markets of energy, financial services and telecoms (and beyond). Until that point regulators had focused on informational remedies, modifications to switching processes and behaviour change strategies (or combinations thereof).

Although competition in these markets depends on engaged consumers, widespread inertia is a characteristic common to all three. As market studies by the sectoral regulators and competition authorities have highlighted: ‘loyalty’ comes for free wherever inertia takes hold and competition between providers gives way to complacency, meaning the benefits competition should deliver to consumers are diminished.

In the period since 2014, several developments conducive to the emergence and success of NGIs have taken place:

- A growing recognition from government, sectoral regulators and competition authorities that the orthodox remedies detailed above have not and will not deliver the desired outcomes in terms of increased consumer engagement (arguably, an exception was the ‘higher dosage’ prescribed by the CMA following its energy market inquiry).

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<sup>2</sup> See: [Next Generation Intermediaries - examining a new approach to market engagement that offers consumers better outcomes for less effort](#), Consumer Futures, 2014

<sup>3</sup> Consumer Futures became a part of Citizens Advice in 2014

<sup>4</sup> As such, NGIs score well against the Behavioural Insight Team’s E.A.S.T framework for applying behavioural insights in policy interventions. Within the mnemonic E is for making it easy – e.g. harnessing defaults, reducing hassle and simple messaging. A is for making it attractive, including through financial incentives (savings in this case). S is for making it social – including using the power of networks (framing the NGI as a ‘club’, for example). T is for making it timely, by providing prompts when people are most likely to be receptive (when a contract is about to end, for example). See: [EAST: Four Simple Ways to Apply Behavioural Insights](#), BIT, April 2014.



- The partial operationalisation of the government’s Midata initiative in energy and banking; and the step change in data portability and authorised third party access that the EU’s General Data Protection Regulation (GDPR) and Payment Services Directive 2 (PSD2) is set to usher in.
- Modifications (actual and proposed) to switching processes, such as faster switching times, and gaining supplier-led models, that will enable NGIs to better deliver on their promise of convenience
- Greater engagement from some actors on the supply side, as they recognise that the channels of consumer engagement are changing (and from challenger suppliers who recognise the opportunity to acquire customers in an efficient manner).
- The growth of some NGIs that, in 2014, had recently entered the market; and the emergence and growth of new entrants in the period since, both in the UK and internationally.
- A growth in consumer willingness to use apps and platforms to ‘get things done’ generally, including NGIs. That said, for NGIs this growth is uneven across markets and NGI providers.

However, despite these developments and the progress they represent, the potential outlined in the Consumer Futures paper is yet to be realised in a truly transformational, or substantive way. While NGIs are entering the market, and while consumer take-up and positive impact are discernible across the energy, banking and telecoms sectors (and beyond), there are very few examples of NGI services breaking through and becoming mainstream actors in terms of profile and consumer usage.

NGI disruption of the orthodox price comparison website (PCW) model therefore remains limited, despite offering a range of advantages over that model. That said, there are signs that the emergence of NGIs has catalysed some conventional PCWs to evolve elements of their services in an NGI-type direction. Similarly, while NGI impact on the markets in which they operate is visible in terms of winning better deals for their users and pushing providers to compete, it cannot yet be claimed this impact has been achieved at scale (with the possible exception of Cheap Energy Club – see below). This is in part linked to relatively low (if growing) consumer take-up for most NGI services.

This research has therefore sought to examine the progress that NGIs have made to date, the factors that inhibit or act as a brake on NGI progress and growth, and the extent to which the potential identified in 2014 is being realised and still holds.

## Research objectives

This research was informed by the following objectives:

- Trace the path from the publication of the Consumer Futures paper in 2014 to the present and plot key developments relevant to NGIs (see Key Developments at appendix 2)
- Identify and comprehend structural factors that may be constraining the development of NGI services and/or preventing them from meeting their full potential - e.g. regulatory frameworks, provider resistance/gaming, public profile etc.
- Consider the extent to which practical and attitudinal factors inhibit consumer uptake of NGI services.

- Capture examples and insights of NGIs that are operating with (degrees of) success in other countries.
- Based on findings, assess the extent to which the NGI potential identified in the 2014 Consumer Futures paper (and supporting analysis from Ctrl-Shift) still stands.

## Methodology

The approach taken for this research consisted of:

- 8 interviews of around one hour duration with seven NGI practitioners, plus one independent NGI expert. Perspectives were sought from across markets, including non-regulated sectors, and from beyond the UK/
- Desk research to chart the relevant policy, legislative and regulatory developments across the regulated markets since 2014, and to capture relevant consumer research. This is presented at appendix 2 and provides important context for many of the insights gained through the interviews.

The following presents a summary of the key findings from the research.

## Current impact of NGIs

### Are NGIs making ‘do it for me’ and ‘profitable disengagement’ a reality?

Practitioner interviews along with data from wider sources indicate that NGIs *are* proving effective in realising the potential outlined above. They are minimising search costs by either comparing the market so the consumer doesn’t have to, or leveraging their user base to win better deals for the consumer. They are offering decision support through:

- (i) impartial, algorithmically driven calculations of which offer(s) would deliver the greatest benefit to the consumer - relative to either their context and/or their current contractual arrangement (including any terminations fees), or their stated purchasing intention; and
- (ii) the presentation of the offer(s) in easily intelligible formats, accompanied by clear calculations of how much the consumer would stand to gain/save by accepting it.

Six of the NGIs interviewed were operating in markets where consumers could switch their provider. Five of these further minimised switching costs by enacting and managing the switch on behalf of the user. Four of those six also offer a ‘perpetual service’ and ongoing relationship, whereby they continue to scan the market on behalf of the consumer and present a new offer at defined intervals - such as when a consumer’s contract comes up for renewal.

### Extent of savings being achieved by NGIs

Savings that users of the featured NGI services are achieving will depend on an individual’s circumstances and preferences. That said, the findings of this research indicate NGIs are already proving to be effective in delivering meaningful savings to their users.

Unsurprisingly, in cash terms those savings are most significant in the ‘big ticket’ markets of new cars and mortgages. On average, consumers using Carwow could save an average of £3,600 on the RRP for a new car purchase; and £3500 per annum on their mortgage repayments by using Trussle. For mobile phone contracts, Billmonitor users could achieve average savings of 40% or £300 over the contract duration. In energy, the average savings achieved by the GB-based energy NGIs interviewed are broadly in line with the annual saving of around £300 that sector regulator, Ofgem, advises is currently available.

Practitioners’ responses also indicated that some consumers prefer to accept offers that represent a *better* deal, rather than the market’s *absolute best* deal, even when the latter is offered to them. This is especially the case where the NGI presents providers’ offers on price alongside other variables, such as customer service ratings. Brand recognition can also influence decisions - i.e. is the offer the NGI is presenting to consumers from a known quantity (see below)?

## **NGI consumer take-up and usage**

While Cheap Energy Club has more than 2.7m members and Carwow provided offers to more than 1m registered users in the last year, NGIs more generally are yet to enter the public consciousness as mainstream actors, in the way that larger price comparison websites have managed.

Perspectives on why this might be included consumer trust – both in terms of how distrust of a sector (especially energy, but also car dealerships) can act as a brake on engagement with any actor in those markets; as well as trust in NGIs themselves. The latter is compounded by the fact that, despite progress, for the most part NGIs remain services with relatively low profiles, low brand recognition and relatively low take-up in the sectors in which they operate (see below).

### **Who are NGI services for and who is using them?**

In terms of target audience, practitioners took the view that all consumers were their target audience, or would in time become so. Even where there was recognition that the NGI approach might be well suited to early adopters in certain segments, this was viewed as a necessary stepping stone on the road to having universal appeal.

Some observers might, for understandable reasons, conclude that NGI-type services are the preserve of younger, digitally literate, more affluent and/or better educated demographics. However, this risks discounting the increasing usage of the internet - including to make online purchases - across all demographic groups, including older consumers; as well as the impact that widespread smartphone usage is having in this respect.

Few practitioners had precise demographic data to hand, but anecdotal responses and best guesses indicated a cross-section of consumers were using the featured NGI services, with some variation by market. There was reference to older people using NGI services across all of the markets covered.

With regards to whether, regardless of demographic, NGIs were mostly helping the already engaged, practitioners’ responses suggest the ‘do it for me’ nature of NGI services *is* attractive to consumers who would otherwise remain disengaged. One energy market practitioner felt that bringing disengaged people to the market was one of that NGI’s most significant achievements.

That said, another practitioner took the view that engaging the already engaged was an inevitable starting point, given any new service aims for the low hanging fruit first, as it looks to become established.

It is worth noting that in relation to the markets served by two of the NGIs covered here - mortgages for first time buyers and new car purchases - obtaining the product is contingent on engagement, meaning all consumers seeking these products are, to varying degrees, engaged and are thus potential users.

### **Vulnerable consumers**

Perhaps unsurprisingly, the most concerted efforts to ensure consumers who might be deemed vulnerable could benefit from NGI services were being taken by certain NGIs operating in the energy market. Steps included the provision of paper-based sign-up and offer notification & acceptance channels, outreach initiatives, the inclusion of prepayment meter users and catering for Warm Homes Discount eligible consumers.

Some practitioners also took the view that – in offering ‘do it for me’ functionality, combined with the prospect of achieving a significant saving - their NGI could benefit vulnerable consumers ‘as is’. In addition, some also felt growing smartphone adoption across all consumer segments would make it easier for some vulnerable consumers to use NGI services

### **Widespread distrust of the energy market deters engagement**

Some practitioners noted how an underlying distrust of a market can jaundice consumers’ views of any entity that operates in it - even where that entity seeks to stand on the side of the consumer. This was most prevalent in relation to energy, where some of those interviewed voiced concerns that - while vilification of the sector by the media and politicians was self-inflicted - it was now undermining consumer willingness to engage in the sector and efforts to rebuild trust were needed. Similar points were also made in relation to the new car market.

### **Disengagement can be a challenge for NGIs too**

Practitioners reported a mixed picture on consumer engagement, depending on sector. Some spoke of the challenges they had faced in bringing consumers on board, at least initially. While others reported that the ‘do it for me’ approach had gained traction in their sector and keeping pace with demand was the challenge.

Some practitioners indicated that, ironically, consumer inertia was part of the reason why NGI adoption wasn’t more widespread. It appears consumers can be unwilling to take even the few initial steps needed to onboard with a service that could enable them to enjoy profitable disengagement thereafter. That said, this is likely a corollary of the issues relating to trust and awareness outlined in this report.

The challenge of consumer engagement had focused the minds of some practitioners on continually improving their service design to make it even more convenient to use. However, if NGIs are to be viewed as part of the solution in making markets work for consumers, it also highlights a need for all agencies working in the consumer interest and with a mandate to ensure markets are competitive,

to consider what role they can or should play. For example, in creating an environment and/or frameworks in which NGIs can demonstrate their trustworthiness and pro-consumer credentials.

## **Cultivating trust in NGIs and building profiles**

The success of Moneysavingexpert.com's (MSE's)<sup>5</sup> Cheap Energy Club demonstrates the appeal an NGI service can have if its brand enjoys a high profile and is trusted by consumers. Steps being taken by other NGIs to build awareness included TV advertising, working with/through community leaders, strategic partnerships with providers of complementary services, joining accreditation schemes, endorsements in the media and by other opinion formers, and word of mouth promotion.

However, as some practitioners noted, in marketing terms most NGIs are at a disadvantage relative to the resources available to the dominant price comparison websites - against whom they are competing. Clearly, in order to market their services on the same scale, NGIs need to attract more consumers (or investment) to fund this, but this remains a challenge when awareness is low (see 'circle of lows' point below).

## **Origins of the species and extent of NGI activity**

Two distinct starting points had informed the creation of the NGI services featured in the interviews. Some (e.g. Carwow, Cheap Energy Club) evolved from, or represented pivots for, pre-existing services, as they sought to differentiate their offer and better serve consumers through innovative means. In some instances, user feedback had been a clear catalyst for these changes, with consumers expressing their need for services that supported confident decision making and simplified switching or purchasing processes.

In other instances, services had been 'born' NGIs. Founders had either started with an appreciation of the ends (i.e. the commercial opportunity inherent in transforming consumer engagement in complex markets) and then developed an appreciation of how technology offered the means of achieving these (e.g. Mobillity, Trussle). Or had started with an appreciation of the means (the solutions technology enabled) and then developed an understanding of the consumer problems they could be applied to (e.g. Billmonitor).

## **Why is the energy market seeing higher levels of NGI activity?**

Interviewees' responses indicated that the interplay of seven factors was responsible for the higher level of NGI activity in the GB energy market. These included a belief that energy is a simple commodity of which consumers have simple needs (i.e. the lights turn on when required), yet the complexity of the market stands in contrast to this. This was not felt to be the case in the telecoms and financial services markets, where consumer needs were much less homogenous. Energy was also viewed as presenting a clear commercial opportunity in that it was a large market, with a large potential user base - in terms of the high proportion of consumers who were presently disengaged, but who could achieve meaningful savings. The regulatory environment was also seen as posing a lesser barrier to entry in energy than financial services.

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<sup>5</sup> The consumer research undertaken for Citizens Advice by Illuminas confirms the high degree of consumer trust in the MSE brand.

## Why are NGIs mostly mono-sectoral?

The 2014 work envisaged NGIs serving consumers across a number of markets: both vertically, within the same sector (e.g. a financial services NGI could work for its users across current accounts, savings products and insurance); and horizontally, where NGIs could assist consumers across a range of sectors that demonstrate the common characteristics of high switching costs and high inertia. The interviews indicated that this is yet to happen in any substantive way. Key reasons given related to:

**Focus and capacity:** the immediate priority of many NGIs is to focus on ensuring their core offer was a successful proposition. In some instances, resource and capacity restraints necessitated this focus. That said expansion of this kind *is* on the roadmaps of some NGIs. Some have this kind of service under development, or are running pilot initiatives in other markets.

**Makes sense in theory, but is challenging in practice:** Several practitioners emphasised while the one-stop-shop NGI concept made sense on paper, the challenge of making it a reality is significant, multifaceted and goes beyond just repurposing a platform that is effective in market *a*, so that it can be applied to market *b*. It was also noted the reputational costs of getting it wrong could be substantial. In addition, a view was expressed that synergies between services at the broad market level do not automatically transpose to the realities of consumer demand - i.e. wanting a better energy tariff does not mean a consumer is also in a position to install microgeneration.

## Additional challenges faced in realising an NGI's potential

Beyond the challenges inherent in engaging consumers and providers, practitioners highlighted how the following presented additional challenges in relation to the optimal delivery of their services:

**The prevailing switching model in some markets:** for example, in the mobile phone market - where the lack of a gaining supplier-led switching process, along with consumers needing to obtain a PAC code from their existing network to port their number, make consumer negotiation with their current network's retention team inevitable. This limits the role an NGI could play on behalf of its users, unless the NGI automates this negotiation process as part of its service.

**Technical challenges when dealing with providers' systems:** some practitioners outlined how interfacing with an array of providers' systems that undergo frequent changes had posed, or still poses, technical challenges in the development and /or maintenance of their services. Some also pointed to the contrast between incumbent providers' continued reliance on clunky legacy systems and the NGI's use of cutting edge technologies and agile approaches - with the inefficiencies inherent in the former holding back the potential of the latter. Widespread use of API<sup>6</sup> systems architecture by both parties was seen as a key part of the solution in this respect

**Issues relating specifically to data:** NGIs are data intensive enterprises. User data (details of current arrangement, consumption patterns etc.) and supplier data (including live tariff information) are key inputs that underpin the optimal functioning of an NGI service. Some practitioners outlined frustrations relating to access to these data (including the lack of progress with Midata) and pointed out how the need for workarounds prevented their services from working in an optimal manner.

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<sup>6</sup> API stands for Application Program Interface. An API is a set of routines, protocols, and tools for building software applications. An API specifies how software components should interact.

## Reactions of incumbent providers

NGIs have the potential to transform markets in which they operate: helping drive competition by boosting the level and effectiveness of consumer engagement. The expectation therefore, was that some providers might be motivated to take steps that seek to mitigate the impact of NGIs.

Practitioners' experiences in this respect highlighted a range of reactions that varied by sector.

In some instances, the practitioner felt the service still operated on a relatively niche scale and was yet to fully register on the radars of the larger incumbent providers. Others had met with suspicion and reticence, at least initially, with the relationships they now enjoy being hard-won over time.

Some practitioners reported a begrudging acceptance of the inevitability that tech would disrupt their sector, given it was upending the status quo across the wider economy. There was also an expectation that, if NGI services were to grow in use and popularity, this would ultimately break down provider resistance.

Two practitioners outlined instances where actions taken by major supply-side actors created barriers that impinged on the optimal functioning of their NGI services. In one instance, a manufacturer had prohibited its dealerships from working with the NGI. In the other instance, a major provider's decision to discontinue certain affiliates' access to its pricing information risked undermining the operations of the NGI in question.

## Are challengers and new entrant suppliers more receptive?

It was envisaged that challengers, new-entrant and smaller providers would be more amenable to engagement with NGIs, because NGIs offer an efficient acquisition channel. Practitioners indicated that, broadly speaking, this expectation was being realised.

Deeper insights on dynamics between NGIs and challengers also emerged. Some energy NGIs outlined how challengers and smaller suppliers were 'NGI-ready' in two senses: (i) their size enabled them to evince a much more agile mindset, meaning they could reach and implement decisions much faster than incumbents; and (ii) they deployed modern systems, built around API architecture, meaning they could interface with NGIs much more effectively.

Some practitioners also highlighted the challenges that smaller providers can present. These included:

- The importance of brand recognition, meaning some consumers were reluctant to use smaller, less well-known providers, even where they offered the best deal.
- Whether small providers could process the user numbers that larger NGIs can generate (typically in collective switching initiatives).
- Concerns (in energy) around the viability, or commitment to customer service, of those challenger suppliers whose acquisition pricing model appeared unsustainable and/or beyond what the efficiencies and lower overheads of a lean challenger made possible. Working with this type of supplier poses reputational risks to NGIs.



## NGI business models and issues arising from these

### Free and easy

Most, but by no means all, NGIs are free to use for consumers. Where that is the case, revenues are derived from a commission paid to the NGI by the gaining provider, whenever a consumer opts to switch to, or purchase, an offer from that provider via the NGI.

Practitioners who had chosen this model felt that free was the 'new normal' when it came to online services (including price comparison websites) and, as such, it is what consumers have grown to expect. Some emphasised a belief that charging a fee would further deter engagement. In one instance, the decision not to charge had been based on user research, which revealed little inclination to pay for the service.

However, a dependency on payment from providers risks incentivising the NGI to prioritise its own interests over those of its users. In that scenario, offers from the provider(s) paying the highest reward to the NGI would be sought, rather than an impartial focus on offers representing best value for the user. Practitioners outlined a range of steps they had implemented to mitigate this risk, including:

- Flat commission fees - removing any risk of bias towards any supplier offering preferential payments
- Using impartial algorithms programmed to identify the best deal for the consumer, without reference to the commission payments offered by the provider
- Transparency that commission is paid and, in one instance, the value of payments received
- Reverse auction models, where the winner is the provider that makes the best offer to the NGIs users.

Deviating from impartiality and betraying consumer trust was seen as commercial suicide. As one practitioner told us: *having that consumer trust is a great anvil to have sitting over your head, because if you break it, it's not a good place to be.*

### Pay to use services

Not all interviewees were advocates of free to use services. One was critical of the approach, viewing a consumer pays model as being the better way of ensuring the NGI's interests were aligned with their users. One of the featured NGIs derives its revenues by taking a share of the estimated savings it achieves for the customer, viewing this as the best way to build trust and demonstrate there is no conflict of interest.

## Earning consumer trust for data intensive services

Alongside impartiality in the offers presented to consumers, data is another key area in which the long-term success of an NGI will depend on it being able to demonstrate to consumers that it works on their behalf.



Most of the NGIs featured currently based their efforts to protect consumer data and privacy on standard best practice. Steps included clear privacy policies and commitments not to share or sell-on data to third parties, along with technical measures such as bank grade security and encryption.

Beyond standard best practice, Carwow utilises an intentcasting model – where a consumer’s vehicle requirements are broadcast to the market, while preserving their anonymity. And Saveawatt works on the basis that: *users own and control their own personal data which is kept secure in a personal cloud platform.*

### **Building trust around data use through official endorsements and accreditation**

In order to build consumer confidence in relation to NGIs’ handling of their data, a number of practitioners expressed support for the auditing and accreditation of their data practices, with these steps potentially being required by and adhered to as part of a wider NGI accreditation scheme. Endorsement could take the form of a data trust-mark conferred by, say, the ICO, government or a consumer body; or be a BSI or ISO standard.

## **The response from regulators**

Practitioners reported receiving receptions from regulators that had generally been favourable. Where applicable, most had established a dialogue with the sector regulator relevant to their activity and felt, to varying degrees, regulators had an appreciation of the distinct nature and potential of their service. Both the CMA and Ofcom had been receptive to concerns around anti-competitive practices that NGIs had raised with them.

That said, while practitioners understood that sector regulators needed to ‘hold the ring’ in their respective markets, some expressed frustrations at what was perceived to be the slow pace of decision making, with one describing this as a *massive challenge*. In addition, one energy practitioner wanted to be sure of fair treatment vis-à-vis Ofgem’s approach to intermediary services operating along more orthodox lines.

### **Specific regulations**

With regards to concerns around specific regulations, energy practitioners flagged Ofgem guidance on cheapest tariff messaging and difficulties in achieving clarity on how it should be interpreted; along with the regulator’s obligation on Personal Projections, which were viewed as misleading.

In addition, some practitioners pointed to the lack of a standardised tariff database as something that Ofgem needed to address, in order to support NGI innovation. Others commented on the need for Ofgem to be prepared for the future, particularly in relation to the challenges that the advent of complex tariff designs/structures would pose for intermediary services, along with the need to set the rules of the game on auto-switching before it could be abused by less scrupulous intermediaries.

With regards to Ofcom, there was a plea for it adopt a gaining supplier-led switching model (already the regulator's declared preference<sup>7</sup>) for the mobile phones market, so that NGIs in this space could be more effective on behalf of their users.

### **Views on regulators' accreditation schemes for third party intermediaries.**

**Ofgem's Confidence Code:** GB energy NGIs were acquainted with the Confidence Code and recognised the benefits of accreditation, but none were Code members. All were of the view that, in its current incarnation, the Code was unsuited to their respective NGI models. Unsurprisingly, they wanted to see either a modified Code that could accommodate NGI approaches alongside orthodox price comparison, or a dedicated accreditation scheme for NGI services.

**Ofcom's price comparison accreditation scheme:** one of our interviewees, Billmonitor, was a member of this scheme and had been so for several years. Its founder spoke favourably of the benefits that accreditation had brought in terms of brand profile, building trust with users and developing a relationship with Ofcom itself.

### **The CMA's proposed energy market remedies**

Some energy practitioners expressed views on the remedies proposed by the CMA, following its energy market investigation. There was some concern that the CMA's database proposal<sup>8</sup> could lead to problems and, potentially, consumer detriment. It was also felt the CMA had missed an opportunity to spur innovations in consumer engagement, by not looking to apply the same kind of forward thinking that was evident in the 'open banking'<sup>9</sup> remedies that emerged from its retail banking investigation.

## **A role for Government?**

In sharing their perspectives on the role that government might or should play in relation to NGIs, practitioners focused on two areas: the future of the government's Midata initiative and government sponsored switching campaigns.

### **Midata**

The data portability offered by Midata is, or at least should have been, a vital piece of enabling infrastructure in terms of NGIs meeting their full potential in the energy, financial services and telecoms markets. Not least in the way it could enable NGIs to extract direct from the supplier - and with the consumer's blessing - the contract, consumption and transaction data required to make accurate comparisons and enact switches. This in turn would enable NGIs to offer a more frictionless service to their users. However, some interviewees expressed exasperation that, although it had

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<sup>7</sup> NB: while this was correct at the time of drafting, in May 2017 Ofgem announced its decision. Rather than the gaining provider-led model it has instead opted for a 'text-to-switch' model. See [Ofcom announcement](#).

<sup>8</sup> Which would enable rival suppliers to direct market to consumers who had been on their current supplier's standard variable tariff for more than 3 years.

<sup>9</sup> Whereby a consumer's account information can be shared securely between banks and 'whitelisted' intermediary services via application programming interfaces (APIs). The CMA states that: *APIs will allow publicly available data and customers' own data to be shared with trusted third parties, and 'open standard' APIs can be particularly powerful (with necessary safeguards for security and privacy) in opening up new customer information and advice services.*

been useful in raising the profile of data portability, the initiative had not gone far enough, fast enough. For example, one practitioner remarked that: *Midata was supposed to put the UK at the forefront of the information economy, but it's taking decades by the look of it, if they're doing one sector every six years.*

There was also the sense that Midata was about to be supplanted by the EU's General Data Protection Regulation, which was viewed as offering *proper data portability*, which would be a *huge driver of change*.

### Government-led switching campaigns

Unsurprisingly, some energy NGIs wanted government to continue to promote energy switching through high visibility public awareness campaigns. These were viewed as having successfully increased interest in market engagement in the past, with one practitioner pointing to how a government-led campaign had demonstrably increased engagement with their service. There was also a call for government to invest in those approaches that had worked in its Cheaper Energy Together initiative in 2013, namely where local authorities had been effective in engaging disengaged groups.

## A role for Citizens Advice?

We asked interviewees whether they felt Citizens Advice had a role to play in relation to NGI services, both as a trusted institution with significant consumer reach; and as an advocate that had the ears of government and regulators. Responses indicated a belief in the NGI community that Citizens Advice is well-placed to play a role on the following three fronts:

1. As a trusted body that can **raise awareness of NGIs**, in ways that build consumer trust and confidence in using these types of service; and potentially as the manager of an NGI accreditation or scrutiny programme (or similar).
2. As a **delivery partner** who can connect disengaged and hard to reach and vulnerable consumers to NGI services (i.e. services accredited – the ones that meet certain criteria), either in testing services and making them work for specific consumer segments, or in the delivery of a fully-fledged switching campaign.<sup>10</sup> Responses included direct overtures to Citizens Advice in this respect
3. As an **advocate to government and regulators** on NGIs and the benefits for consumers, as appropriate.

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<sup>10</sup> Some practitioners noted that, if Citizens Advice was to pursue its own switching service in partnership with an NGI, this could risk undermining any activities it pursues under 1 & 3.

## Conclusions and recommendations

As the preceding sections highlight, in 2017 NGIs are, to varying degrees, realising the potential that was ascribed to them in the 2014 Consumer Futures paper.

‘Do it for me’ is a reality, with consumers now having the option of outsourcing their engagement in energy, some financial services and some telecoms markets. And in operationalising the ‘do it for me’ approach, NGIs are cutting through the complexity that characterises these markets and minimising both search and switching costs for consumers.

NGIs are impartially comparing offers from across their respective markets in line with criteria set by consumers; presenting the options in easily intelligible ways to support straightforward decision making; and then enacting decisions on behalf of the consumer and managing the switch between providers.

The indications are, for the services featured here at least, that NGIs are also proving effective in achieving meaningful savings for consumers - making a reality too of the ‘profitable disengagement’ concept. That several NGIs offer a perpetual service and repeat the process at defined intervals, means profitable disengagement can be sustained, rather than a one-off. None of the NGIs interviewed for this report currently offer automated switching, but if adopted, this feature could further enhance the perpetual nature of NGI services.<sup>11</sup>

Practitioners’ perspectives also indicate that NGIs have played a role in helping smaller suppliers and challengers gain market share in some markets. Their experiences also suggest that, despite instances of creating barriers and of reluctance, large incumbents are increasingly accepting that NGIs are here to stay and will play a more significant role in their market’s ecosystem.

However, while the findings here show that NGI approaches do work, do deliver better outcomes for consumers for less effort and do help drive competition, they also show that NGIs are not yet working on the scale, or with the breadth - in terms of working for consumers across a number of markets - envisaged.

Successes at scale do now exist – for example, it is likely a sizeable proportion of all energy switches now take place via Cheap Energy Club – but these are exceptions. NGIs for the most part still operate at the peripheries of their markets, and remain little known relative to the major PCWs. Furthermore, few have the resources to hand with which to raise their profile through high visibility marketing.

Unless NGIs can achieve greater breakthrough, they are at risk from a ‘circle of lows’ - where low consumer awareness of NGI brands and benefits equals low trust, resulting in low usage. This circle could compound difficulties around consumer inertia that some practitioners highlighted - where people were unwilling to take the few steps necessary to onboard with an NGI service, even where this offered an immediate saving and an ongoing benefit in return. This is likely to be particularly pronounced in relation to services whose functions depend on the utilisation of personal data.

The Illuminas consumer research for Citizens Advice bears this out, showing that consumers currently find it difficult to distinguish what NGI services offer above and beyond PCW tools, do not

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<sup>11</sup> For example, Flipper - an NGI operating in the GB energy market. Flipper currently offers automated switching. See: [Can smart switching cut your energy bills?](#), BBC News (online), 1<sup>st</sup> July 2016.

recognise NGIs as a distinct category and are concerned about allowing unknown brands to access personal data. Accreditation and formal endorsement may help NGIs meet aspects of this challenge.

It is notable that Cheap Energy Club's success is almost certainly a reflection of it being part of MSE – a brand that has a large audience and is trusted to work on behalf of the consumer. This serves to demonstrate the strength of the appeal an NGI approach can have if allied to a strong brand.

Carwow and Trussle, while lesser known brands, are experiencing growing demand. This may reflect their operating in markets where consumers must engage to obtain the product. Given search costs and information asymmetries are particularly high in those markets, consumers may be more receptive to using a more convenient, impartial means of getting what they need.

Other than the exceptions, low take-up translates as low-impact in terms of transforming their respective markets for the better. So, while on an operational level the potential is being realised – NGIs are showing 'do it for me' can work and are empowering individual consumers to realise meaningful savings – the competition igniting, positive disruption it was envisaged NGIs could achieve in their markets is yet to fully materialise. That said, most practitioners felt it was inevitable NGI approaches would become the norm; and some were experiencing strong demand from a low-base and attracting investment. After all, imposing simplicity on complex markets and providing consumers with better outcomes for less effort remains a significant unmet need and thus commercial opportunity, especially when millions could stand to benefit.

Beyond the challenges of 'breakthrough' and, therein, achieving consumer trust and take-up, the research has also revealed instances where external dependencies and factors make it difficult for NGIs to optimise their services and meet their full potential. Key amongst these were the two inter-related challenges of:

**(1) Access to data:** data is the lifeblood of NGI services and key to offering the functionality and services that set them apart. However, some NGIs are starved of straightforward, reliable access to the data required to deliver their service in an optimal manner. This in part relates to provider data, primarily concerning tariffs; and in part to authorised access to consumer data, primarily concerning consumption and transaction histories (access to which would negate the need for trust-sapping workarounds that some NGIs currently rely on, based on the consumer handing over login credentials).

In relation to provider tariff data, NGIs appear, depending on the market, to currently rely on affiliate marketing companies,<sup>12</sup> or services that specialise in collecting, curating and selling on tariff data, or developing direct relationships with providers. In regulated markets, this can represent a barrier to entry for NGIs, particularly where access to that data incurs an ongoing cost; or where providers are able to restrict access to tariff data to try and undermine NGI activities. Access to provider data is therefore a key area for action.

While Midata should have provided the way forward in relation to consumer data, its implementation varies by sector and has made stuttering progress, much to the frustration of some NGI practitioners. That said, some expressed grounds for future optimism, given that EUGDPR would better realise the data portability goals of Midata. Government will now need to consider how best to proceed with Midata in light of EUGDPR.

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<sup>12</sup> An example of which is [Tradedoubler](#).

**(2)** The technical ‘plumbing’: related to access to data is the extent to which providers have in place, and/or are willing to utilise, the systems architecture necessary to support the efficient flow of tariff and consumer data between themselves and NGIs.

Some practitioners made a strong case for an API-based approach being the best way of providing this plumbing, not least as this could provide NGIs with live, efficient access to the required data. Steps being taken by the CMA and Government to utilise APIs to bring about ‘open banking’ in the retail banking sector should offer a blueprint that could then be applied to other sectors.

A clear message from the research findings is that the CMA (and the underpinning EUPSD2 – see appendix 2) has set the bar in terms of creating favourable conditions in which dynamic new intermediary services can thrive. Some practitioners now hope to see the same logic applied to the sectors in which they operate.

Finally, despite the inherent potential for NGIs to deliver consumer benefits, there is also the clear potential for consumer detriment to arise from any rogue actor that adopts NGI characteristics, but deviates from pro-consumer qualities (impartiality, respectful use of data etc.). As the above highlights, free to use models carry the risk of the intermediary gaming the offers presented to consumers in self-interested ways, and of supplier capture. And even in the pay to use model, there is the risk that an unchecked NGI presents this as a guarantee of impartiality, while at the same time taking commission payments from some suppliers. The data rich nature of NGI services opens up another area where unscrupulous actors could cause significant consumer detriment.

In a fragile trust environment, actions by one rogue actor that undermine impartiality, or abuse consumer data, risk tainting all NGIs. Guarding against this possibility poses a challenge for agencies working in the consumer interest and reinforces the need for a system that can ‘whitelist’ reputable NGIs, either through accreditation, or other means.

## Recommendations

With the above in mind, recommendations are proposed across the following 3 themes:

### **(1) Raising awareness**

The profile of NGIs should ultimately reflect their success, as determined by the effectiveness and appeal of the service they offer. Also, the picking of winners is best left to consumers in the marketplace. However, it is legitimate for government, regulators and consumer advocates (assuming no conflict of interest exists) to support innovation in engagement and to do so in ways that increase public awareness of new approaches and of field-leading innovators. Indeed, in relation to competition policy objectives in regulated markets where conventional approaches are falling short, government and regulators have a strategic imperative in this respect. Such awareness raising could take a number of forms, including:

- Government and/or sector regulators running challenge programmes and competitions that are focused on innovation in market engagement (potentially coordinated across regulators’ innovation hubs).
- Learning from what has worked in terms of government-sponsored initiatives to catalyse and support the growth of FinTech and collaborative economy enterprises; and applying

these lessons in an initiative to incubate and support companies that can transform consumer engagement and support competition objectives.

- A rolling programme of consumer trials, whereby a representative sample of ordinarily disengaged consumers are provided with a safe 'sandbox' environment (i.e. switching decisions can be easily rolled back) in which they can experiment with a range of intermediary services, including NGIs. The results, in terms of savings achieved, customer satisfaction and experience ratings can be captured and combined with wider variables (whether the intermediary belongs to an accreditation scheme, rating of data practices etc.) to create performance league tables. These could then be publicised and form part of consumer education initiatives and switching campaigns. The extent to which a trial of this nature could be run remotely, potentially through partnerships with market research agencies that maintain online panels should be further investigated.
- Accreditation (see below).

## **(2) Building trust**

Trust will in part grow from awareness (better known brands tend to be the more trusted brands, regardless of inherent trustworthiness). However, until such time that nascent NGIs achieve breakthrough, a mechanism by which they can demonstrate their trustworthiness and the qualities and characteristics they evince in this respect could prove invaluable. Accreditation is the most obvious mechanism and one that can be leveraged to support awareness raising. It was also a popular option with NGI practitioners, being volunteered as a suggestion by some - who viewed it as a way of (i) demonstrating their trustworthiness to consumers, particularly in relation to their use of consumer data; and (ii) of differentiating themselves from pseudo-NGIs.

However, for energy practitioners at least, there was frustration that the current Confidence Code was designed in and for the era of price comparison and doesn't readily cater for NGI-type services. And herein lies a significant challenge: (i) should regulators and other accreditation scheme managers seek to contort existing schemes to make them more accommodating of NGI services? Or (ii) should NGIs seek to contort themselves to pre-existing accreditation schemes? Or (iii) should there be a separate scheme for NGI-type services? None of these seem optimal and (iii) risks the number of accreditation schemes being higher than the percentage figure for consumer awareness of such schemes.

The recommendation therefore is for scheme managers across the regulated sectors to collaborate on a 'back to the drawing board' exercise. This should be guided by the following objectives:

- Determine whether a common set of principles (impartiality in the offer, transparency on the business model and on the extent of market coverage, data used only in line with permissions granted by consumers etc.) can be established that would form the bedrock of accreditation schemes across regulated sectors (and potentially beyond). This could then be (a) tailored to sector specific circumstances; and (b) open to all third-party intermediaries to seek membership of, regardless of whether they are orthodox or next generation. As noted above, accreditation of data practices, could be required by and adhered to as part of an NGI accreditation scheme. Endorsement in this respect could take the form of a data



trust-mark conferred by, say, the ICO, government or a consumer body; or be a BSI or ISO standard.

- With a view to enabling more effective promotion: establish whether any convincing reason exists to not give any new approach established by (a) uniform headline branding, below which sub-branding can highlight the sector(s) the accredited entity has achieved accreditation in.

### (3) Addressing the data challenges

**Re: provider data:** Given that information is the lifeblood of vibrant markets, access to live tariff/rate information for approved (see below) intermediaries is vital to lowering barriers to entry and fostering innovation that can help drive competition and benefit consumers.<sup>13</sup> A number of practitioners expressed support for tariff/rate data being openly available. There appear to be two clear ways of achieving this: either (1) all regulated providers beam this information to the regulator (or a body working on its behalf), who collates this as a centralised database that approved intermediaries can then take an API feed from; or (2) providers are obliged to provide a direct feed to approved intermediaries when requested to do so.

It is recommended that sector regulators should review and establish the best means for ensuring approved intermediaries have access to tariff/rate data, potentially collaborating on a way forward under the auspices of the UKRN. They should also establish target dates for when such an arrangement will go live across each of the markets.<sup>14</sup> With regards to which intermediaries can access this data, there is a case for creating a ‘whitelist’ where access is contingent on certain criteria being met, or linking to accreditation. Regulators should examine the merits of such an approach and determine the optimal access criteria.

**Re: consumer data:** Government should now reboot Midata and shift its focus towards creating the frameworks within which consumers can safely authorise intermediaries to access contract, consumption and transaction data on their behalf (in line with the provisions of the *2013 Enterprise and Regulatory Reform Act*, as is currently happening in energy – see appendix 2). That shift in focus is recommended on the basis that GDPR is set to supplant the data portability dimension of Midata; and the CMA’s ‘open banking’ remedies, along with PSD2, look set make data portability a reality in retail banking. As with tariff data, government and regulators - with appropriate input from the ICO - should take the steps necessary to ensure authorised access to provider-held consumer data is achieved via secure API infrastructure.

In developing frameworks for intermediary access to data, government should also consider what steps are required to build consumer trust in relation to using and authorising third party intermediaries, such as NGIs, to utilise this data on their behalf - including how best to give consumers the means to revoke permissions. In so doing, government should seek to ensure

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<sup>13</sup> Arguably, an instructive parallel here is transport data where, once Transport for London and Network Rail opened up feeds to their data, a range of start-ups emerged, competing against each other to harness these data in apps and services that serve the users of these transport services (alerting them to delays, when the next bus will arrive etc.).

<sup>14</sup> Services that currently derive revenues from the collection, curation and sale of tariff data to PCWs and intermediary services may be left with stranded assets following such a move. Deliberations should consider whether this might give rise to unforeseen consequences.



coherence between any trust building dimensions introduced in relation to Midata and principles around the use of consumer data that form part of any 'fresh start' approach to accreditation (along the lines recommended above).

With regards to ensuring progress with a rebooted Midata, government should also have a clear strategy that publicly sets out what it seeks to achieve, within what timelines and by what means, along with a formal commitment to delivery from the relevant departments.

**API infrastructure:** The findings concerning data in this report highlight the need for API-based infrastructure to support efficient data flows between NGIs and providers. On both fronts – provider data and consumer data - government, regulators and all relevant parties should be working to respond to this need, ensuring that the steps taken in relation to open banking are replicated elsewhere. Access to API feeds, at least for personal data, could be tied to accreditation (see above).