

Trust in the Energy Sector and Billing

1. Introduction

As part of the 2014-15 inquiry into the energy market, the Competition and Markets Authority has published a customer survey report¹. One suggestion made in that report is that lack of trust in the energy sector contributes to lower than optimal levels of market engagement through switching.

To help explore the issue, this paper reviews existing material on trust, and provides headline findings, correlated where possible with actions taken by consumers.

The remaining sections of this paper therefore consider:

2. Comparative evidence of trust in the energy sector at international level
3. Evidence on trust in the sector in the UK
4. Evidence on trust in relation to specific, energy-related actions
5. Qualitative research on trust

The final section summarises the key points.

¹ <https://www.gov.uk/cma-cases/energy-market-investigation#working-papers>

2. International Comparisons

Edelman's annual trust barometer for 2014² found that trust in the energy sector in the UK was very low, at 32%, when compared to levels of trust in business and industry of 56%.

International comparison work as part of the same survey showed that low trust in the energy sector is particularly pronounced in the UK, where those who distrust the sector (54%) outweigh considerably the 32% who trust it. This is close to a mirror image of the international position, where the average across the range of countries surveyed gave a 56% - 24% balance *in favour* of trusting the energy sector.

Trust was generally lower in the EU countries covered by the survey than for those in the developing countries or the United States. However, trust was still significantly higher in many other EU countries than in the UK - Italy was the most positive at 54%, with the Netherlands, France, Poland and Ireland also recording strong positive bias. Levels of trust in Spain and Sweden were more equal, but Germany was the only other EU country to report that those trusting the market were outnumbered by those who did not.

Information on market engagement is also available at EU level. The most recent ACER / CEER annual monitoring report³ (2013 data) has comparative data on both consumer perceptions of the market and on rates of switching. Key points are that:

- The UK is ranked 5th, in terms of switching rates, of the 16 EU countries in which switching is possible for gas, and 6th out of 20 for electricity
- In relation to consumers not supplied by the incumbent, GB is top for electricity and a very close second for gas
- While the UK is a little below the EU average for overall satisfaction with suppliers of both fuels, it is well above average for both consumer perception of choice and for perception of ease of switching.. However, the UK is somewhat below the EU average for consumer perception of ease of comparability of options.

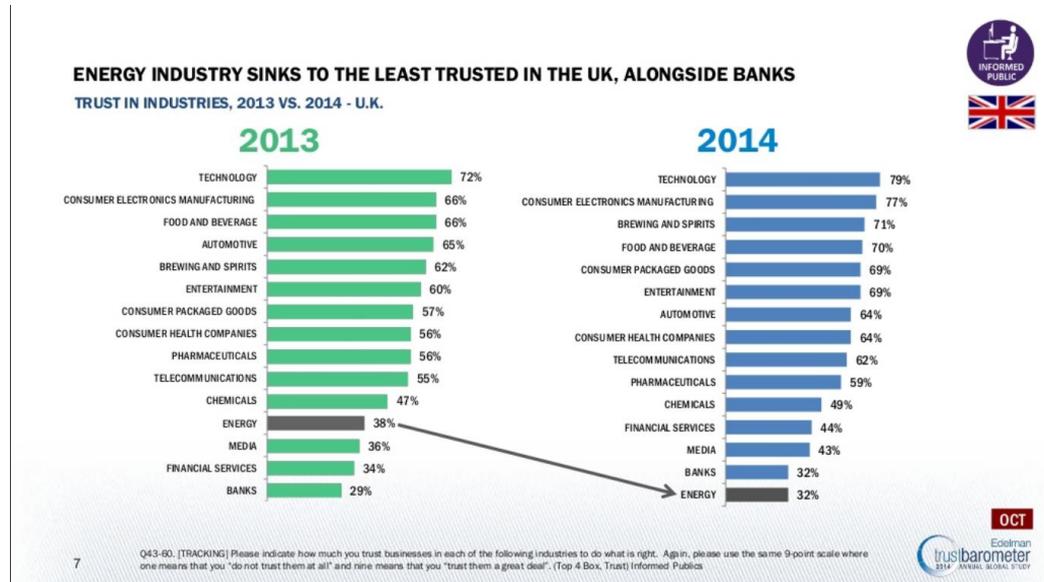
² http://www.slideshare.net/Edelman_UK/energy-trust-barometer-2014?related=4
Note that the fieldwork for the 2014 survey was undertaken in 2013.

³ http://www.ceer.eu/portal/page/portal/EER_HOME/EER_WORKSHOP/CEER-ERGEG%20EVENTS/CROSS-SECTORAL/ACER-CEER_MMR_2014/Tab/ACER%20Market%20Monitoring%20Report%202014.pdf

3. Research within the UK

In the same survey as above, Edelman found that trust in the energy sector had fallen between 2013 and 2014:

Chart 1: Trust in the Energy Sector vs Others in the UK, 2013-14



The 2015 survey, while only giving headline figures (the chart below, shows that the proportion of respondents trusting the energy sector has increased from 32% back to the 38% recorded in 2013.

Edelman have commented⁴ on the overview of the 2015 report findings⁵, which show (generally) declining levels of trust across the UK sectors surveyed:

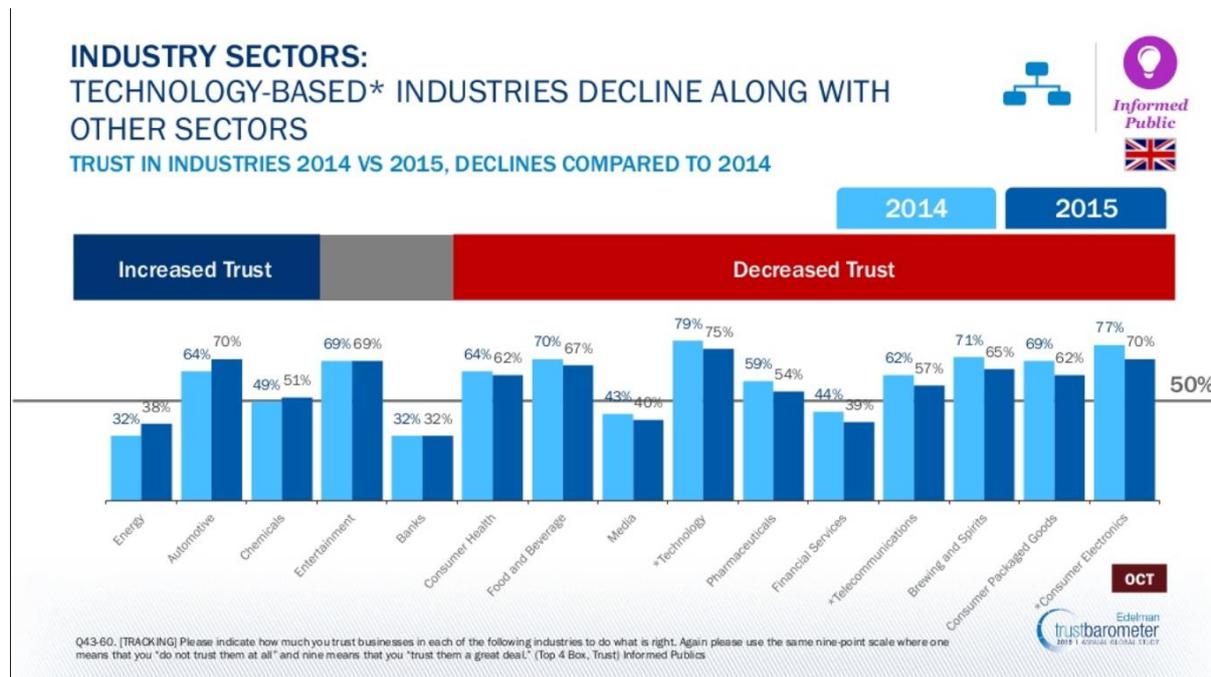
This year, we asked what would make people more trusting in business and the answers weren't just about corporate and social responsibility or even consistent quality of products and services.

No, it was about fair play... in the form of two statements: "Pay the expected levels of tax" and "Behave responsibly".

⁴ <http://edelmaneditions.com/2015/01/were-drifting-in-the-doldrums-edelman-trust-barometer-2015/>

⁵ <http://edelmaneditions.com/2015/01/edelman-trust-barometer-2015/>

Chart 2: Trust in UK Industry Sectors 2014-15



When considering these results, it is important to emphasise that Edelman’s surveys are published at the start of each year, and the fieldwork is conducted in October of the previous year. The 2014 research was conducted in October 2013, which means it would have coincided with the extremely high levels of media and political interest in energy which followed the summer / autumn 2013 price rises announced by each of the big six suppliers and the subsequent changes made by the UK Government to reduce the levies placed on energy bills.

This would be consistent with Edelman’s 2014 (ie October 2013) survey findings, which also explored the reasons for lack of trust in the energy sector in the UK. The top five reasons reported were:

Increase cost of bills	82%
Levels of profit in the sector	69%
Poor customer service	42%
Limited range of tariffs	38%
Low reliability of service	36%

Edelman did not publish comparable detailed data on the energy sector for earlier years, and nor has a more detailed breakdown of 2015 data been published at time of writing. However, significant - although snapshot – research was undertaken by YouGov⁶ highlighted similar concerns, but also extended consideration of the trust issue to include others with a role in helping address the issue:

YouGov’s research, from representative polling of over 4,000 members of the British public conducted in February 2014, shows an unhappy public that

⁶ <http://tinyurl.com/ol9amsq>

urgently wants action to stabilise bills following years of what they see as unacceptable increases. The prevailing public view is that profit levels in the industry are unfair and suppliers are failing to focus on the interests of customers or wider society. People further believe a desire by suppliers for more profit is the dominant reason why prices have risen above inflation in recent years...

Beyond concerns aimed directly at suppliers, there is an underlying feeling that the market isn't working, and none of the main actors is sufficiently playing their part. While a majority of the public have little or no trust in suppliers to provide reliable and fairly priced energy, similar proportions lack trust in politicians to introduce effective policies. Just over half have low or no trust in the regulator, Ofgem, to protect consumer interests, or in journalists to properly report on the market.

YouGov explored public perceptions of the reasons for price increases and found that:

...some three-quarters of the public (76%) claim that a key driver of price rises in recent years has been the desire to increase profits on the part of energy companies. This compares to 47% picking "green levies" as a key driver, 46% saying "higher costs of oil, coal and natural gas on the global market", and 21% choosing renewable energy sources which are more expensive than traditional fossil fuels.

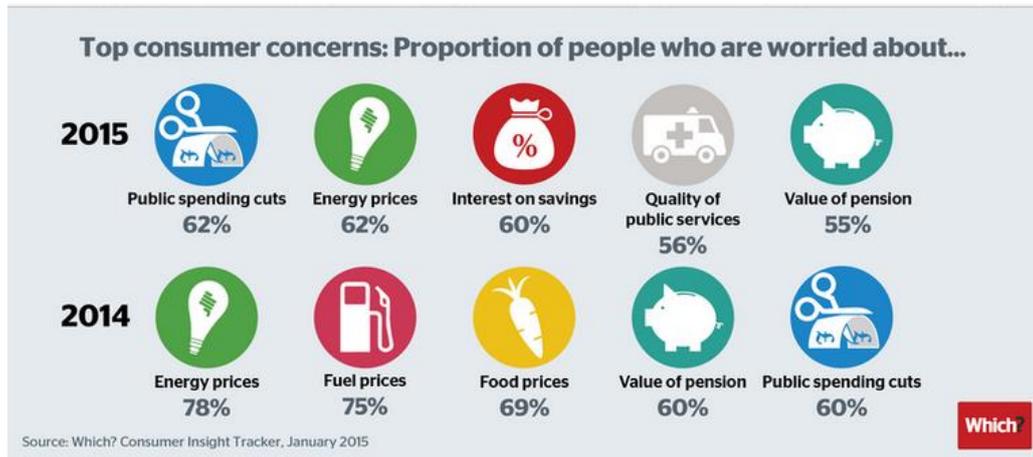
When asked to pick which one reason was the biggest driver, energy company profits came top, selected by 57%, with the next highest option (higher oil coal and gas prices) scoring only 15% on the same measure.

This perception influenced participants views of solutions in a way which presents a challenge to the sector: the view that companies are making excessive profits just now leads to an expectation that prices can be frozen while still delivering the investment needed to maintain energy security. Similarly, respondents want both a reduction in the number of tariffs – seen as the most important retail concern – without a corresponding loss of the current cheapest tariffs.

The ongoing Which? consumer insight survey⁷ confirms the trend of changing concerns implied by Edelman:

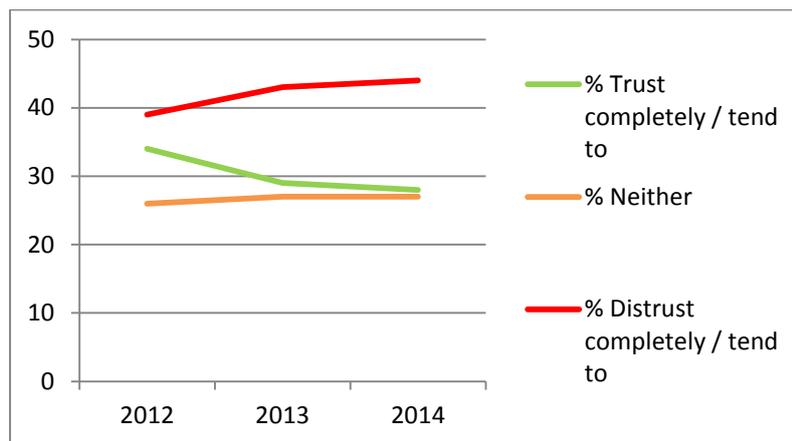
Consumers' top concerns have changed significantly in the last 12 months. As prices have fallen, worry about essential prices like energy, fuel and food have fallen too. At the same time, concern about public services and interest rates on savings have increased in the last year. Concerns about financial security and public service quality are emerging as key consumer issues for the coming months.

⁷ <http://consumerinsight.which.co.uk/>



Other surveys also track consumer trust in the energy sector over time. For example, IPSOS Mori carry out an annual survey for Ofgem⁸ which has, since 2012, included a question on the extent to which respondents ‘trust or distrust energy suppliers to be open and transparent in their dealings with customers’. The chart below shows the trend data in responses from 2012-2014. Survey work is undertaken in March of each year.

Chart 3: Trends in trust in energy suppliers 2012-2014



The absolute levels of trust reported for 2013 and 2014 are lower than found by Edelman, but there is also a significant proportion – over a quarter – of respondents who ‘neither trust nor distrust’ the sector.

This survey also provides a more detailed breakdown of the headline findings by demographics and by the level of consumer engagement with the energy market. The latter show that *lack* of engagement tends to result in greater trust – IPSOS Mori suggest that disengaged consumers are giving the industry the ‘benefit of the doubt’. Conversely, this implies that consumers who engage with the market to a greater extent trust it to a lesser extent.

Although there is limited spread from the headlines, demographic data on responses shows that consumers; under 34 or over 65; of BME origins; from social grades D

⁸ The 2014 survey is available at <https://www.ofgem.gov.uk/publications-and-updates/customer-engagement-energy-market-tracking-survey-2014>

and E; and those without internet access are all more likely to trust energy suppliers. These are all consumer groups who are less likely to engage with the market.

In addition to these annual surveys, Ofgem published a survey designed to provide baseline information for monitoring the implementation of the Retail Market Review changes⁹. The survey was carried out by TNS BRMB. The survey focused on different questions, looking at consumer satisfaction rather than trust, and presents a much more positive picture overall:

- *Nearly three quarters (72%) of consumers are satisfied with the overall service received from at least one of their energy suppliers. Consumers on dual fuel deals are more satisfied (74%) than those with a separate gas or electricity supplier (67% and 71% respectively).*
- *Over six out of ten consumers (62%) trust at least one of their energy suppliers to treat them fairly in their dealings with them but again rates are lower for separate gas consumers (56%) than dual fuel or separate electricity consumers (both 63%).*
- *Similarly, 65% of consumers trust at least one of their suppliers to provide clear and helpful information with lower rates among separate gas consumers.*

Where demographic differences were found, they were consistent with the IPSOS Mori research and showed that older consumers, those in lower social grades and those without internet access all tend to be more trusting. Further, the reverse relationship between trust and engagement in energy markets again comes through:

...we also asked consumers if they trusted their suppliers to charge them a fair price. In total about half (51%) of consumers trust their supplier on this measure, again with a lower level of trust among consumers on separate gas tariffs (44%). Looking across the segments, consumers with the very highest level of engagement have notably lower levels of trust in their suppliers. For this baseline measure therefore, not trusting energy suppliers is currently a characteristic associated with being more active in comparing tariffs and checking bills whilst some of the most disengaged consumers are more trusting.

The relative low levels of trust in the energy sector compared to others are also evident:

As a benchmark we asked to what extent respondents trusted or distrusted a range of providers in other markets or the public sector as well as energy suppliers in general to be fair in the way they deal with customers or citizens...

With a 43% level of trust, energy suppliers are comparable to mobile phone providers (41%) and ahead of insurance companies (36%) but fall behind banks (52%) and water suppliers (53%).

Energy UK commissioned IPSOS Mori to survey energy consumers in February and then November 2014¹⁰. The questions, as with the Ofgem RMR survey, looked at the

⁹ <https://www.ofgem.gov.uk/ofgem-publications/89113/ofgemrmbaselinefinalpdf.pdf>

¹⁰ <http://www.energy-uk.org.uk/publication.html?task=file.download&id=4909>

junction of trust and customer satisfaction: as above, the responses are notably more positive than when stand-alone questions about trust are asked.

When asked to think about the overall service their energy supplier provides, 59% of bill payers trust their energy supplier to provide them with a service that meets their needs – up from 55% in Wave 1. One in eleven (9%) distrust their supplier, in line with the result in Wave 1 (10%). The remainder (32%) are neutral.

However, there is no change in customer's views of their supplier compared to other suppliers. As in Wave 1, most bill payers state that they trust their energy supplier about the same as they would other energy suppliers (68%). A quarter (26%) of bill payers state that their energy supplier is more trustworthy, with very few (4%) believing their energy supplier is less trustworthy than other energy suppliers.

There are two aspects of the service received for which customer trust has increased:

- *45% of bill payers now say they trust their energy supplier to provide them with value of money – a statistically significant increase from Wave 1 (40%). 17% distrust them to do so.*
- *54% of bill payers now say they trust their energy supplier to deal with their complaints fairly – a statistically significant increase from Wave 1 (44%). 17% distrust them to do so.*

Views about accurate billing and openness and transparency are consistent with Wave 1:

- *59% of bill payers trust their energy supplier to provide them with an accurate bill (10% distrust them to).*
- *50% of bill payers trust their energy supplier to be open and transparent in their dealings with them (10% distrust them to be)*

While the 'trust' numbers from this survey are comparable to others, a much higher proportion of participants are recorded as giving 'neither trust nor distrust' as a response. It is possible that this is due to differences in the exact question or options for responding: in this survey, IPSOS Mori used a 10 point scale, on which a response of 4, 5 or 6 was coded as 'neither'.

Less positively, however, the survey also reports on the extent to which consumers would recommend their energy supplier to others. This is measured using the Net Promoter Score. The process for developing this score for an organisation is described in the report:

Bill payers were asked "How likely would you be to recommend [named energy supplier] to friends, relatives or colleagues?" The Net Promoter Score is a simple and widely used calculation derived from this standardised question, where the scores on a 0 to 10 scale are grouped into "Detractors" (score 0-6), "Passives" (score 7-8) and "Promoters" (score 9-10). The Net Promoter Score is then calculated by deducting the number of "Promoters" from the number who are "Detractors".

On that basis, the survey found that the Net Promoter Score, while it had improved over the course of 2014, remained strongly negative:

More than a fifth (21%) are Promoters of their supplier, up from 16% in Wave 1. There has not been a significant shift in those who are Passives (27% in both waves), but there has been a significant fall in those who are Detractors (57% to 52%). As such, the Net Promoter Score has improved from -40% to -30%.

This at the very least creates a question as to why, if levels of trust are generally positive, the proportion of consumers who would recommend their supplier to others is so strongly negative.

The survey (section 6.6) also looks at differing responses by sub groups:

There are a number of themes that emerge – across each element of trust - in the degree to which different types of bill payer trust their energy supplier. The following customer groups are more likely to trust their supplier in all four areas of service in Wave 2, as they were in Wave 1:

- *Promoters of their energy supplier compared to those who are passive or detractors.*
- *Bill payers who trust their energy supplier to provide them with a service that meets their needs (Customer Trust Score) compared to those who distrust their energy supplier to do so.*
- *Bill payers who find it easy to deal with their energy supplier (Customer Effort Score) compared to those who find it difficult.*
- *Bill payers aged 65 and over compared to those aged 15 to 64.*
- *Those without any formal qualification compared to those that do have a formal qualification. (N.B. There were no differences for this group on providing accurate bills and dealing with complaints fairly, in Wave 1).*
- *Bill payers who have access to the internet compared to those that do not. (N.B. There were no differences for this group on providing accurate bills and dealing with complaints fairly, in Wave 1).*

Additionally, bill payers in social grades A or B are more likely (than social grades D or E) to trust suppliers to provide them with value for money and deal with their complaints fairly – this was not the case in Wave 1. In Wave 1, those in social grades A or B were more likely to trust their energy supplier to provide them with an accurate bill - this was not the case in Wave 2.

In Wave 1, bill payers that have switched energy supplier in the last 12 months (compared to those that have not) were more likely to trust their supplier to provide them with value for money. This difference is not seen in Wave 2.

This level of detail is helpful, although it is possible to make some comments:

While accepting the association in the first point, it is possible the relationship might lie in the opposite direction - it is perhaps more likely that respondents will promote their energy supplier if they trust it than the reverse.

It may also be the case that the second bullet point represents double counting – it effectively states trust is higher among people who trust their supplier to provide a reliable service. Similarly, the third point – trust is higher among those who find it easier to deal with their supplier - is reasonable, it is perhaps not very surprising.

The next three points, though, identify sub groups who are more likely to trust suppliers – older people, people with levels of lower educational attainment, those

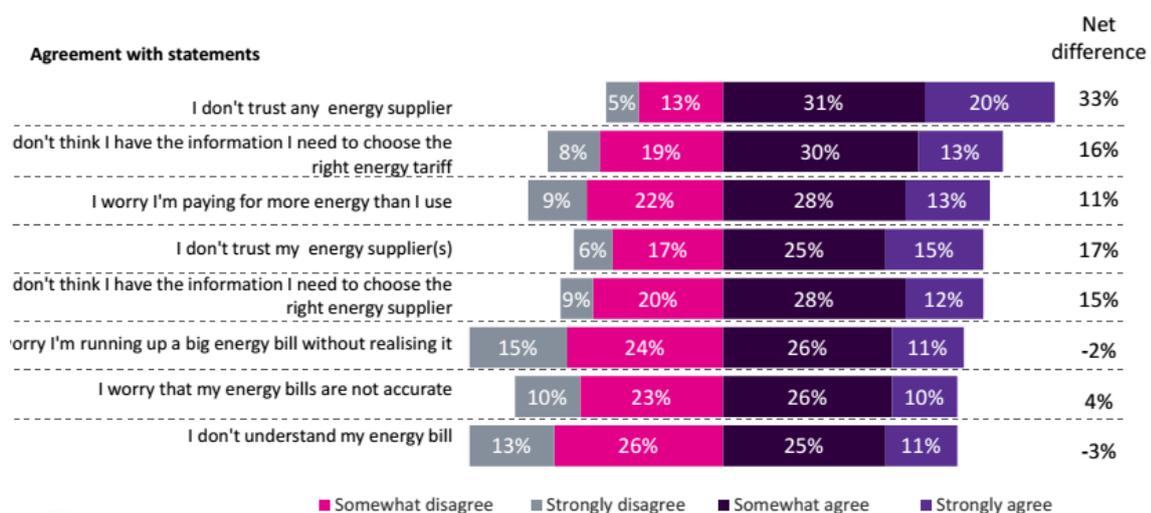
who lack of internet access. These are all consistent with other work, particularly the groups identified in the surveys discussed above, and are also consistent with groups who are more likely to be disengaged from the energy market.

The final point in the report is also notable: given many of the switchers will have gone to smaller suppliers purely on the basis of cost, it is perhaps surprising that those who have switched don't continue to demonstrate a higher level of trust in their suppliers to provide a good deal in wave 2, as they did in wave 1.

A snapshot survey for Smart Energy GB, carried out by Populus¹¹ also relates trust both to some specific areas. The overall findings are similar to other research, although concern about energy prices or perceptions of excess profit are not included.

Chart 4: Trust in Energy Suppliers and Underlying Concerns

There is a general lack of trust towards energy suppliers.



Q10 For each of the statements below please indicate the extent to which you agree or disagree?
Base: All Respondents (10,033)

Sub groups are also identified in this survey. Although the specific groups differ from those considered by other research, those on which this survey concentrates are also recognised in other policy work (for example, Ofgem's 2014 State of the Market Assessment¹²).

¹¹ Consumer attitudes to the energy market and smart meters
<http://www.smartenergygb.org/sites/default/files/presentation-1-media-publication.pdf>

¹² <https://www.ofgem.gov.uk/publications-and-updates/state-market-assessment>

Chart 5: Trust in Energy Suppliers by Selected Sub Groups

General lack of trust and concerns are even higher amongst vulnerable groups.

Agreement with statements (Top 2 Box): Total versus vulnerable groups

	Total	Those with a disability	Those who rent	Those who pay via a pre-pay meter	Those with fuel poverty
I don't trust any energy supplier	51%	57%	51%	51%	57%
I don't think I have the information I need to choose the right energy tariff	43%	48%	45%	47%	49%
I worry I'm paying for more energy than I use	41%	45%	49%	52%	50%
I don't trust my energy supplier(s)	40%	44%	42%	44%	47%
I don't think I have the information I need to choose the right energy supplier	39%	44%	41%	43%	46%
I worry I'm running up a big energy bill without realising it	37%	40%	41%	30%	46%
I worry that my energy bills are not accurate	37%	40%	42%	42%	45%
I don't understand my energy bill	36%	41%	38%	39%	44%



Q10 For each of the statements below please indicate the extent to which you agree or disagree?

Base: All Respondents. Those with a disability (1366) Renters (3555) Those who pay by pre-pay meter (1443) Those who have fuel poverty (831)

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As above, it is possible to comment on the highlighted sub groups:

Firstly, it is very likely that there is some overlap between them - those living in rented accommodation, for example, are more likely to use a prepayment meter¹³; consumers using a PPM are more likely to be concerned about costs¹⁴; and both groups are more likely to experience fuel poverty¹⁵.

Secondly, and following from the above, all of these groups are more likely to be concerned about energy costs, and research above shows consistently that trust and concern about costs are closely linked.

¹³ <http://www.consumerfocus.org.uk/publications/making-progress-an-analysis-of-improvements-made-by-energy-companies-for-their-prepayment-customers>

¹⁴

http://www.citizensadvice.org.uk/index/campaigns/current_campaigns/fairprepay.htm

¹⁵ <https://www.gov.uk/government/consultations/private-rented-sector-energy-efficiency-regulations-domestic> states that 'One in ten privately rented homes has the lowest energy efficient ratings and one in five privately rented homes (double the national average) is in fuel poverty.'

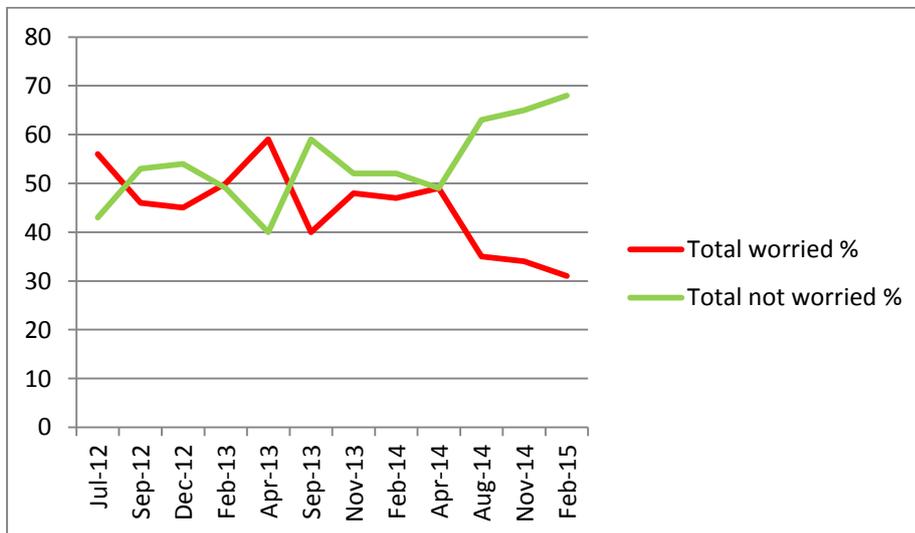
4. Trust in Relation to Specific Actions

Time series research has also been carried out by DECC, on a quarterly basis, since March 2012¹⁶. This survey has the advantage that it asks about specific issues, rather than trust in general. While not all waves of the research have included questions about trust, it is possible to show trends from the surveys which have done so.

Unfortunately, only very limited demographic data is published in the survey, and there is no information on the differences between responses at the level of sub groups as there is above.

As with the Edelman research, the DECC survey also includes context questions, including one which charts concern about energy costs – this shows a clear, if very recent, falling trend. DECC note that this reflects a wider pattern of declining worry about living costs, which is consistent with the Which? survey above.

Chart 6: Concern about energy costs July 12 – Feb 15



DECC explore (although in only three of the surveys) some of the details behind the above. Consistent with the Edelman snapshot findings above, the most important reasons for people saying they are worried are all about both relative and absolute costs of energy: the reasons given for concern about energy costs are set out in the table below.

¹⁶ <https://www.gov.uk/government/collections/public-attitudes-tracking-survey>

	% July 12	% April 13	% April 14
Energy prices have increased more than shopping/ transport prices	43	45	38
Energy bills are more expensive than other items	42	44	50
Cannot easily 'go without' energy like I can for other items	25	16	11
Don't know how much energy bill will cost in advance so harder to budget	19	15	12

Levels of trust across a range of issues appear to reflect the trend about concern around costs: it is also notable that the turning points for concern beginning to fall and for trust beginning to rise, both occur at around the point where some energy companies froze their prices.

The survey then explores trust in relation to specific services provided by energy suppliers. While there is variation between the responses to different issues, the overall trends in each seem more to track reported declining concern about costs, rather than relating to the specific issue. For example, one of the charts below focuses on billing accuracy. The impact of wider changes is evident here – there is no evidence to suggest (for example, from complaints data) that there was a substantive improvement in billing accuracy which would have resulted in the trends shown.

There remain, however, striking gaps between the areas discussed. Further, even the most recent figures (the most positive since the survey began) show that just under 40% of consumers do not trust their supplier to give them a fair deal:

Chart 7: Response to the question ‘Do you trust your energy supplier to give customers a fair deal?’ July 12 – Feb 15

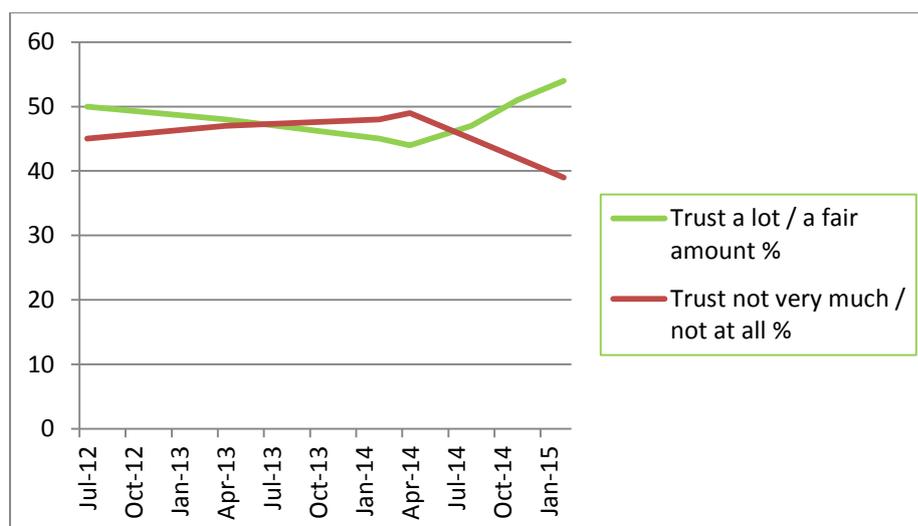
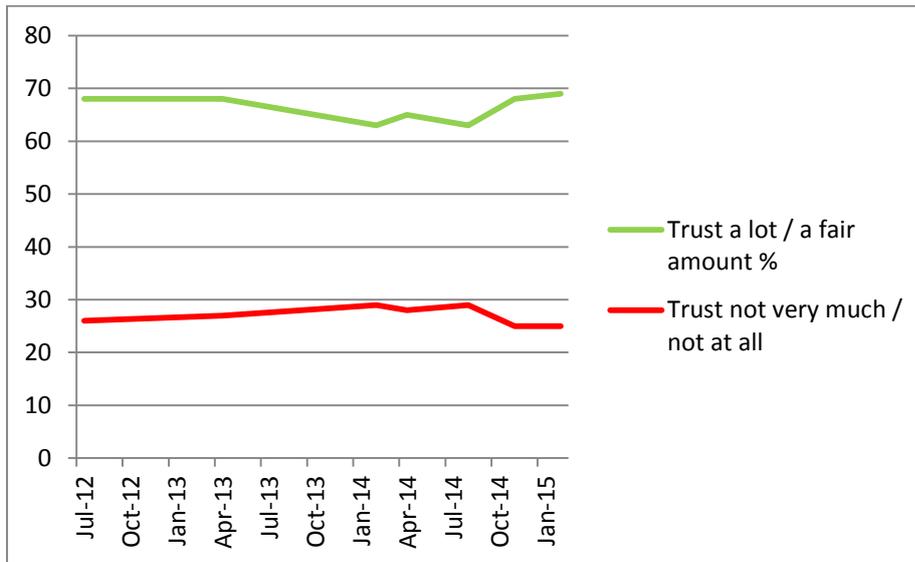
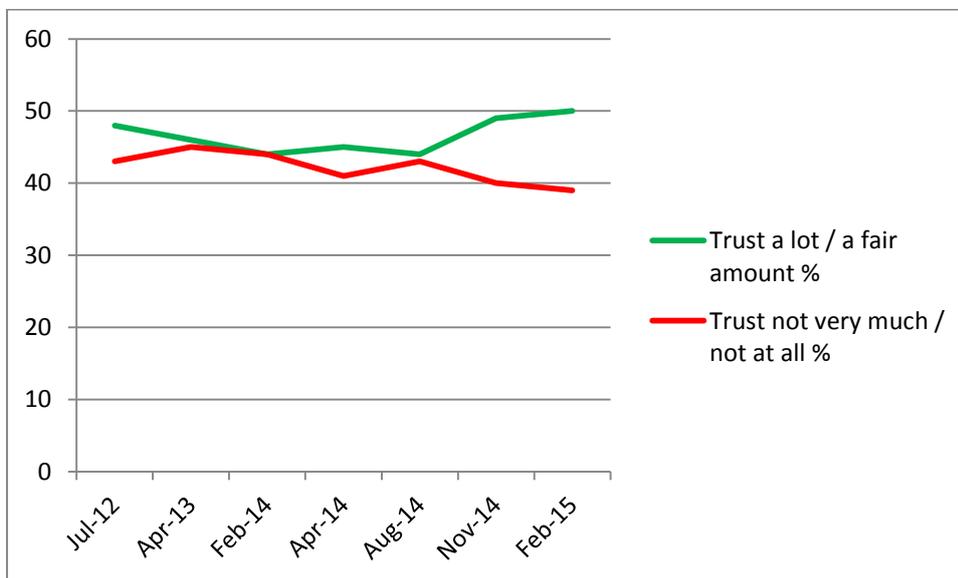


Chart 8: Response to ‘Do you trust your supplier to provide you with a bill which accurately reflects your energy costs?’ July 12 – Feb 15



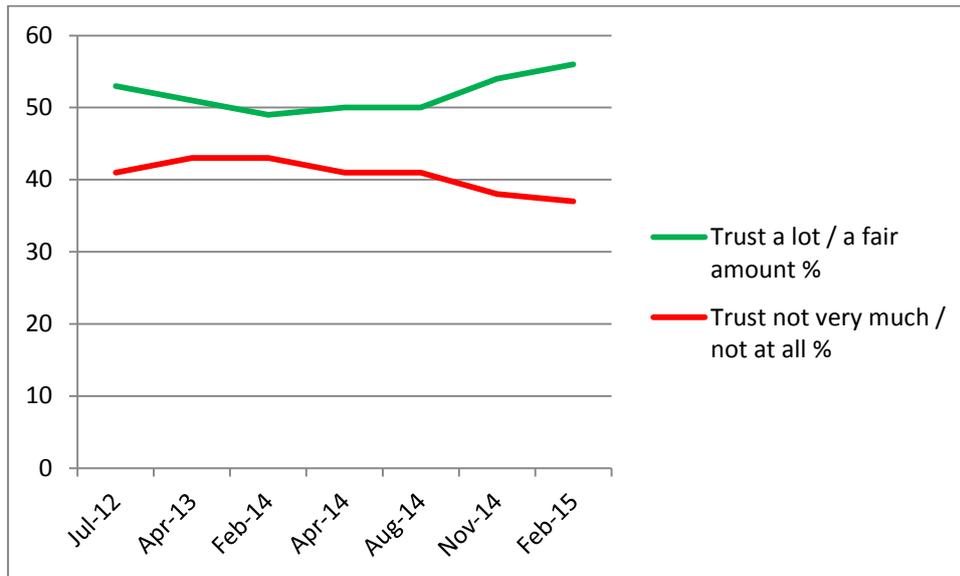
DECC also look at trust in relation to energy efficiency issues. The levels of trust in supplier shown are similar to those for the ‘trust to provide a fair deal’ question above.

Chart 9 – Trust your supplier to make your home more energy efficient, if you pay them to do this



The wording for this question may have been designed to provide information for the Green Deal – the timing of the first survey would have been shortly after the launch of the initiative. The chart below is a similar question, but in relation to advice rather than physical delivery. Responses show a similar pattern, but are slightly more positive.

Chart 10 – Trust in your supplier to provide impartial and accurate advice on energy efficiency measures



As a final point in this section, it is possible to compare switching rates between the energy and mobile phone sectors. As shown above, telecomms had an Edelman trust rating of 55% in 2013 and 62% in 2014 in the UK, compared to energy on 38% and 32% respectively.

The switching rates, however, are very closely comparable. In 2014, Ofcom estimated that there were 83m active mobile contracts in the UK¹⁷, and 9m switches each year¹⁸. This equates to an annual switching rate of just under 11%, almost exactly comparable to the 11-12% for 2012 quoted by Ofgem in their 2014 State of the Market Assessment¹⁹.

¹⁷ <http://stakeholders.ofcom.org.uk/binaries/research/cmr/telecoms/Q4-2013.pdf>

¹⁸ http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-13/TCE_Research_final.pdf

¹⁹ <https://www.ofgem.gov.uk/publications-and-updates/state-market-assessment>

Qualitative Research on Trust in the Energy Market

Some qualitative work has also been carried out on consumer trust in the energy market and its implications. An overview, which helpfully adds depth to some of the quantitative data reported above, is provided in the July 14 report of Ofgem's consumer first panel, carried out by Big Sofa²⁰.

The report emphasises that many consumers remain apathetic or negative about the energy market, together with *'frustration around what Panellists see as 'excessive' supplier profits'*.

While recognising that consumer engagement in the market is low as a result, the research notes that:

A variety of factors influence engagement levels. The most important are understanding of tariffs and the market, and satisfaction with the cost of energy.

These factors can drive engagement in different directions. So whilst high satisfaction with costs and/or a low understanding of tariffs are likely to lead to a continuing lack of engagement, low satisfaction with costs and a high understanding of tariffs are more likely to lead to proactive engagement with the market.

The research also found that panellists struggled with the idea of trust in association with large suppliers, because of the range of factors involved and because participants tended to associate trust as a concept with individuals rather than institutions. However, the report makes reference to other research which suggests that

major factors that contribute to consumers trusting companies including (but not limited to) consistency, simplicity, honesty and proactivity. Companies (including energy suppliers) behaving along these lines are more likely to build consumer trust.

The report provides a summary of much of the information discussed in the quantitative work, linking higher level trust and personal experience:

...Some Panellists instinctively distrust a market that many feel shouldn't exist – because energy is so fundamental to everyday life. Others are highly cynical about price rises and what they perceive to be excessive supplier profits. They are weary of negative headlines about the industry. They also think that energy consumption, tariffs and the retail market are too complex for them to understand.

...Panellists see little difference between their own supplier and the rest of the market. At best, they distrust their own supplier slightly less.

Personal experience is key to this. Good interactions, customer service or deals can increase trust, but largely Panellists are likely to distrust their

²⁰ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-second-workshops-consumer-engagement-and-trust-energy-market-retail-market-review-reforms>

supplier less if they've had no problems with them rather than for any more positive reason.

The line of reasoning is followed through to the impact lack of trust has on consumer engagement:

- *Trust (especially where it relates to consumer confidence in suppliers) can pull energy market engagement in both directions. High trust can act both as a driver to engage (where Panellists perceive that it's easy to switch and they are confident of getting a good deal) and to not engage ('if I trust my supplier to give me a good deal, why do I need to change?').*
- *Similarly, distrust can drive low engagement ('what's the point in switching when they're all looking to rip you off') or higher engagement ('you need to switch to avoid being ripped off by these companies')*

Another, slightly older piece of deliberative research was on *Consumer research and collaborative engagement on the proposed Standards of Conduct – Domestic Customers*, carried out by Insight Exchange for Ofgem in 2012.²¹

Although, as the title suggests, the focus of the research was on the development of the standards, the research also provided both an overview of the reasons for lack of trust in the industry, and, in some detail, participants' views of how companies should behave in relation to billing issues:

The overall perception of the energy industry is fairly negative and rarely rises above neutral. The negativity on the whole is less about personal experience as an individual consumer and more as a result of perceptions of excess profits. This is seen as particularly unfair because suppliers are selling an essential service. Where consumers feel that their energy supplier has treated them poorly, this exacerbates their negative feelings over the profit issue. The complexity of tariffs is also a major issue and feeds into a lack of trust in the industry.

It is clear that consumers often feel powerless. They tend to feel that all companies within the sector are fairly similar and that, unless there is a significant price saving, there is little point in changing supplier. They therefore tend not to engage with the market.

Where consumers had engaged in the market, a few reported poor experiences with their new supplier that caused them either to return to their existing supplier or to decide not to switch again. A few also reported difficulties with their old supplier when switching away, which caused them to think that they would be unlikely to switch again unless the cost savings were substantial.

Somewhat more positively:

Overall however, there is a sense that, profit issues aside, energy suppliers' treatment of their customers has improved over the last couple of years or so. This seems to largely be because of the demise of doorstep selling and the positive way suppliers are generally dealing with customers who are in debt.

²¹ <https://www.ofgem.gov.uk/publications-and-updates/consumer-research-and-collaborative-engagement-proposed-standards-conduct-domestic-customers-report-insight-exchange>

Treating consumers consistently well, however, remains an issue with many reported incidences of treatment being different depending on who consumers speak to and a mix of good and poor experiences from the same supplier.

The subsequent section continues:

What do consumers want from their energy supplier?

*Consumers do not really know what an excellent or outstanding relationship looks like in the energy sector, as they do not think anyone is currently consistently providing this. They mostly say they just want a good basic service from their energy supplier and hope not to have to contact them. The fact that it is an essential service that they cannot opt out of means that consumers feel that it is particularly important that the basic service provided is **consistently** good. This means having:*

- *Consistent staff behaviour - so that the way consumers are treated is not dependent on who answers the phone or visits their home.*
- *Consistent response - so that the answers consumers are given do not vary and that if they are told something verbally it is not later ignored or denied.*
- *Consistent treatment of all consumers - because it is an essential service that you cannot opt out of, people believe that everyone should be treated in the same way.*
- *Consistency between people and processes - currently there are sometimes good and poor touch points in the same interaction.*

*When they do have to contact their supplier, consumers want to be able to get through quickly without running up an expensive telephone bill. They want to be treated **efficiently**. This means speaking to knowledgeable staff and not having to repeat the details of their issue more than once. It also means suppliers meeting commitments such as timescales for resolutions and calling back when they say they will. Consumers also want to be treated **decently**. This means being treated empathetically, being given the benefit of the doubt and being treated as an individual.*

At the moment the industry is inconsistent in meeting these expectations – there were good and bad experiences reported across all the large suppliers, and overall more were bad than good.

The report then looks in detail at how theoretical values or behaviours might, ideally, translate in different circumstances into the views of consumers:

5.1 Good basics and limited contact

Most consumers do not want, or need, very much from their energy supplier beyond the basics of supply and billing. As long as the gas and electricity works and there is not anything noticeably remiss about their bill then they mostly give the relationship with their supplier little thought. This is particularly true of those who pay by direct debit, as they do not need to even actively look at, or do anything, as a result of their bill.

5.2 Clear and simple tariffs

Consumers are calling for fewer tariffs and tariffs that are simple to

understand. The current complexity is top of most consumers' concerns about their dealings with the industry. This relates to:

- *Difficulties in understanding bills – mostly because of tiered rates and unclear technical language such as kilowatt hour;*
- *The sheer number of tariffs that each supplier has, making it difficult to know if you are on the best tariff for you; and*
- *The difficulty of making comparisons between tariffs and suppliers.*

Having clear and simple tariffs is important to consumers so that they can:

- *Understand what they are paying for;*
- *Budget for and reduce usage;*
- *Make informed switching decisions.*

A further example is explored around energy billing

If you call your energy supplier with a bill query: Behaving fairly would be....

- *The supplier offering to look into the issue without making any assumption that the consumer is in the wrong*
- *The supplier giving an apology if they have made a mistake*
- *If it is the consumer's mistake, helping them to sort it out*
- *If it is the supplier's mistake, sorting it out as quickly as possible*
- *Getting the same information and helpful approach whoever you speak to*
- *Suppliers showing understanding of the consumer's personal circumstances but balancing this with ensuring that all consumers are treated in basically the same way.*
- *Giving consumers a decent period of time to pay the money owing if they have mistakenly underpaid.*

Behaving honestly would be...

- *The supplier acknowledging if they do not know the answer. Then finding out and calling the consumer back*
- *The supplier admitting if it is their mistake*
- *Offering to give consumers their credit back if they have overpaid*
- *Consumers being able to assume that their direct debit is set at the correct amount.*

Behaving transparently would be....

- *Having bills that are easy to understand and in simple language so consumers would not need to query them*
- *All suppliers presenting their tariffs and prices in the same way so consumers would find the bills easier to understand and therefore they would be less likely to have a query.*

Behaving appropriately and professionally would be

- *Addressing consumers by their surname or asking if they mind being called by the first name. Consumers particularly object to staff calling them 'love', 'duck' 'honey' or similar*
- *The person dealing with the consumer to give them their name. Consumers would also like it to be the same person calling them back, though accept that this might not always be possible*
- *The people answering the calls having knowledge about the different tariffs available*
- *If a consumer has made a mistake explaining it to them in a non-patronising, non-threatening, empathetic way*
- *The supplier recognising individual needs such as someone who has English as second language.*

Other issues identified in the report which influence perceptions of customer service - and therefore trust – include: having helpful call centre staff who are easy to contact; having an efficient call handling process which provides early resolution of issues; and being treated courteously. Some participants also suggested that proactive – but personalised – contact from their supplier would also be helpful, for example to discuss more appropriate tariffs.

5. Summary

Current level of consumer trust in the GB energy industry

There are, not surprisingly, variations in the levels of trust in the energy market reported by consumers in different surveys. However, there is consistency in the findings that trust in energy remains low compared to other sectors. While only a single survey reports directly on comparable levels of trust in energy sectors in other countries, the contrast does appear sharp, with recorded trust in the sector in the UK being very low in comparison to the international average. Supporting work across the EU also suggests that consumer satisfaction with the energy market is lower than average in the UK.

Variations in trust between sub groups of consumers

Where variations in trust have been highlighted, the groups which report higher than average levels of trust include:

- Older consumers
- Those with lower educational attainment
- Those without internet access
- BME consumers

Conversely, groups reporting lower than average levels of trust include:

- Those who are more engaged in the market
- PPM users
- Consumers in fuel poverty
- Consumers who rent their home

None of the research reviewed identifies different levels of trust between larger and smaller suppliers, between male / female consumers or between consumers in different GB nations.

Factors influencing trust

There is greater consistency in identification of factors which influence trust. These include:

- Different aspects of the cost of energy – both absolute costs and price volatility are important.
- Perceptions of excess profit levels in the industry
- Customer service

The DECC survey in particular allows comparison of different aspects of energy services to be compared directly and over time. In line with the above overarching findings above, trust seems to be improving following a period of price stability since early 2014.

Areas of activity where suppliers are more or less trusted.

The DECC survey shows that suppliers are trusted more to provide accurate bills, although a substantial minority do not trust suppliers to do this. In other areas, trust in suppliers to provide a fair deal or to advise on or deliver energy efficiency measures, is consistently reported at 50-55%

Evidence of links between trust levels & level of engagement with energy

It also seems that at least some groups of consumers who are more likely to trust their energy supplier are those who have – in a classical economic view - less reason to do so. This is because these consumers are also less likely to have switched, and therefore more likely to be paying more than is necessary for their energy.

Conversely, one piece of research (Populus) suggests that trust is lower among PPM consumers, those living in rented accommodation and those experiencing fuel poverty. These groups all experience objective barriers to participation in the energy market, regardless of the impact of trust issues – but the existing of these barriers may well undermine trust in consequence. PPM users are more likely to say they don't have enough tariff options, for example.

The qualitative research above shows clearly that trust is higher - or at least that distrust is lower - among consumers who have less engagement with the energy market. Big Sofa's work with Ofgem's consumer panel is the best source here, and shows both that:

- Trust can reduce participation – why move if the consumer concerned trusts his or her supplier to provide a good deal?
- Lack of trust can increase participation – switching is the only way to avoid being ripped off by suppliers

Appendix: Data Sources

The main sources of energy data used in this paper are listed below, in the order in which they are first referenced.

Competition and Markets Authority, GfK NOP Customer Survey Report, 2015

<https://www.gov.uk/cma-cases/energy-market-investigation#working-papers>

Edelman's "Trust Barometer" (Annual), various years

http://www.slideshare.net/Edelman_UK/trust-barometer-media-deck-uk-no-embargo

ACER / CEER 2014 Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2013

http://www.ceer.eu/portal/page/portal/EER_HOME/EER_WORKSHOP/CEER-EREGEG%20EVENTS/CROSS-SECTORAL/ACER-CEER_MMR_2014/Tab/ACER%20Market%20Monitoring%20Report%202014.pdf

YouGov Energy, Politics and the Consumer, 2014, <http://tinyurl.com/ol9amsg>

Which? Consumer Insight Polling (various years) <http://consumerinsight.which.co.uk/>

Ofgem, Customer Engagement Tracking Survey, 2012, 2013, 2014;

2014 survey: <https://www.ofgem.gov.uk/publications-and-updates/customer-engagement-energy-market-tracking-survey-2014>

Ofgem, Retail Market Review Baseline Survey 2014

<https://www.ofgem.gov.uk/ofgem-publications/89113/ofgemrmbaselinefinalpdf.pdf>

Energy UK, Consumer Experiences of the Energy Market, 2014

Wave 2: <http://www.energy-uk.org.uk/publication.html?task=file.download&id=4909>

Smart Energy GB Consumer attitudes to the energy market and smart meters 2014

<http://www.smartenergygb.org/sites/default/files/presentation-1-media-publication.pdf>

UK Government, Department of Energy and Climate Change Tracker Survey, 2012 onwards

<https://www.gov.uk/government/collections/public-attitudes-tracking-survey>

Ofgem State of the Market Assessment 2014

<https://www.ofgem.gov.uk/publications-and-updates/state-market-assessment>

Qualitative Research

Ofgem Consumer First Panel, Year 6, second workshops: Consumer engagement and trust in the energy market - Retail Market Review Reforms, 2014

<https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-second-workshops-consumer-engagement-and-trust-energy-market-retail-market-review-reforms>

Consumer research and collaborative engagement on the proposed Standards of Conduct (Domestic Customers) 2012

<https://www.ofgem.gov.uk/publications-and-updates/consumer-research-and-collaborative-engagement-proposed-standards-conduct-domestic-customers-report-insight-exchange>

Further Material

In addition, the research for this paper accessed but did not make use of a small number of one-off surveys reported in the media, listed below. The majority of these were carried out by reputable polling companies and while they were consistent with other findings, they did not add anything to the overall analysis. Others seem to have been uncontrolled polls of the customers of the organisation in question and were therefore not representative.

- ICM (January 2015): <http://www.theguardian.com/money/2015/jan/26/energy-giants-more-disliked-banks-guardian-icm-poll>
- Sunday Post (November 2014) <http://www.sundaypost.com/news-views/uk/exclusive-poll-reveals-confidence-in-big-six-energy-firms-at-all-time-low-1.710383>
- Populus for The Big Deal (May 2014): <https://thisisthebigdeal.com/blog/Energy-price-freezes-cynical-say-consumers>
- The Tricky Politics of Cutting Our Fuel Bills, YouGov (December 2013): <http://tinyurl.com/nucmfom>
- Voters: Energy Prices are number one threat, YouGov (September 2013): <http://tinyurl.com/qbjq3jg>