

Overview - Shopping Around for Electricity Retailers

*A Quantitative Study
among the General Public*

February 2013



AUCKLAND • WELLINGTON • SYDNEY

Executive summary

■ Overview

The What's My Number campaign and visitation to the price comparison websites show a stronger link to switching in the latest monitor. While there has been a decline in the proportion of those switching due to approaches from power companies, the number of switchers has remained steady. This is partly due to an increase in those that have switched as a result of visiting price comparison websites (whatsmynumber.org.nz and powerswitch.org.nz), facilitated by an increase in awareness of the What's My Number campaign.

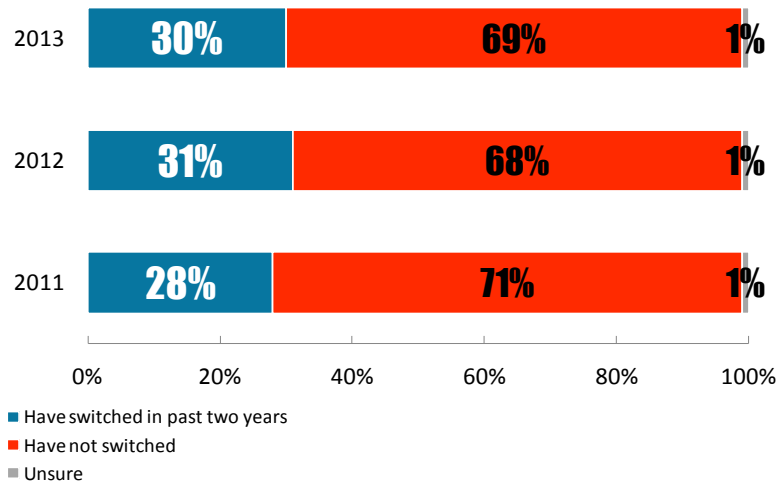
Despite these changes, the proportion of those that switch remained relatively constant. This may be because consumers mainly switch when prompted by perceived high prices or poor service, yet large proportions of respondents were relatively happy with their current supplier on these points. Complacency also plays a role, with only a third of respondents reporting they were likely to shop around for the best power deal.

Similar to 2012, there were two strategies that were clearly seen as more effective in encouraging switching – an 'independent website that compares the prices of different power companies' and 'advice from a consumer's advocate like Fair Go or Consumer NZ'. Evolving the What's My Number campaign to encourage repeat visitation, show the real benefits of shopping around, and reinforcing the independence of the site and link to Consumer NZ will encourage continued usage of the website and ultimately switching and shopping behaviour.

The fact that a large majority believe it is worthwhile to review whether they are on the best deal, yet a majority fail to do so, indicates that messages need to emphasise that real gains can be made from shopping around, and that it is easy to do.

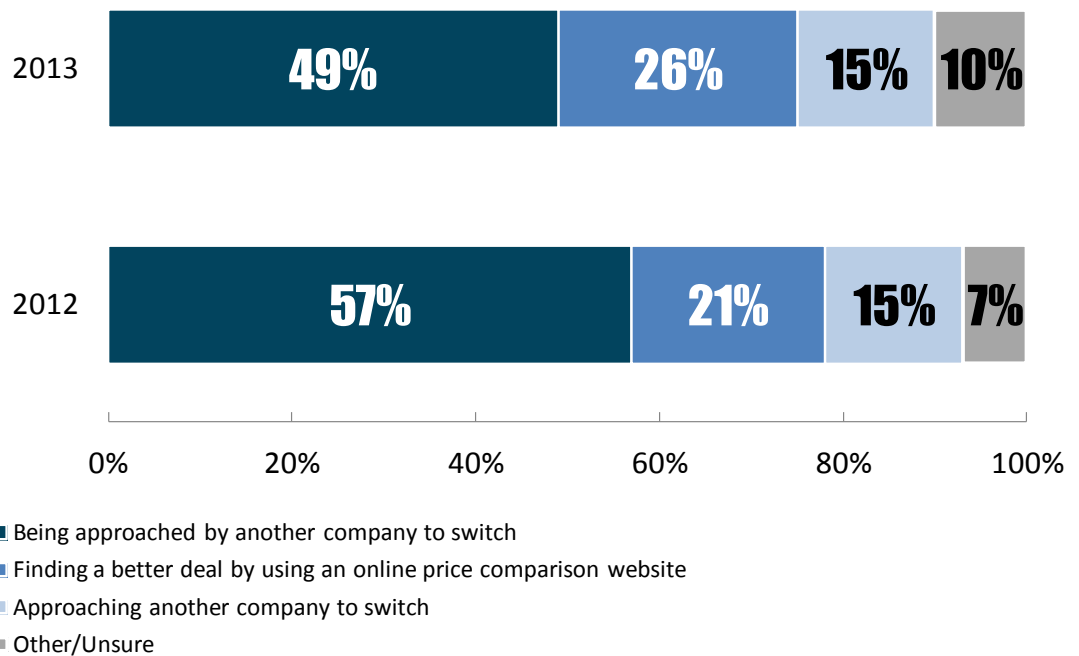
■ Switching remains steady

The number of those who have switched retailer in the past two years remains steady, decreasing slightly from 31% to 30%. The number of times consumers have switched also remains relatively unchanged with 86% having switched once (up 2% on 2012), 12% having switched twice (down 1%) and 2% having switched at least three times (down 1%).



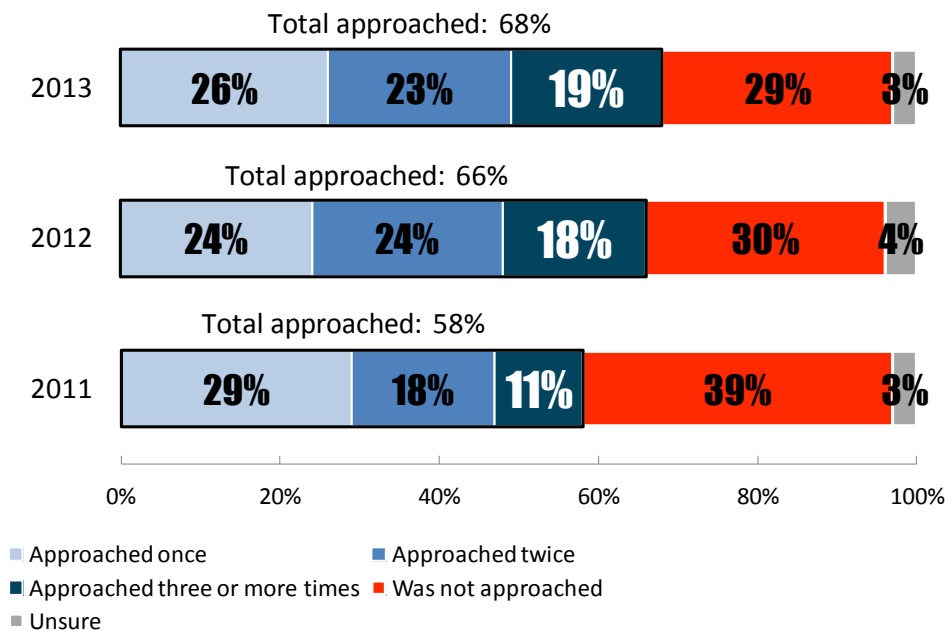
■ Switching mainly dependent on retailer approaches but comparison websites becoming increasingly important

On the most recent occasion consumers switched, just under half (49%, down 8% from 2012) did so as a result of being approached by another company while 15% directly approached another company (unchanged from 2012). Those that switched companies as a result of finding a better deal online using a price comparison website increased to 26% (up 5%).



■ Steady incidence of approaches from retailers to consumers

The number of retailer approaches to consumers remains very similar to 2012 and significantly higher than 2011. In 2013, a minority (29%, down 1%) had not been approached by a retailer in the past two years while 68% had been approached by at least one company during that period with almost one fifth (19%) being approached by three or more companies.

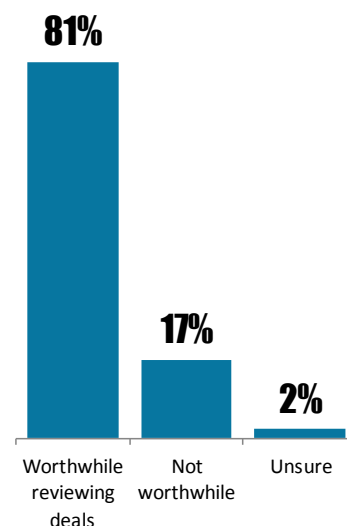


■ Reasons for switching remain largely financial with moving house and price comparison websites lower level factors

The reasons for switching largely related to financial factors with 30% being personally approached by a power company with a better deal, 29% mentioning a high bill from their previous retailer and 25% being offered a financial incentive from the power company. At lower levels, moving house (8%) and visiting a price comparison website (5%) were cited as reasons for switching.

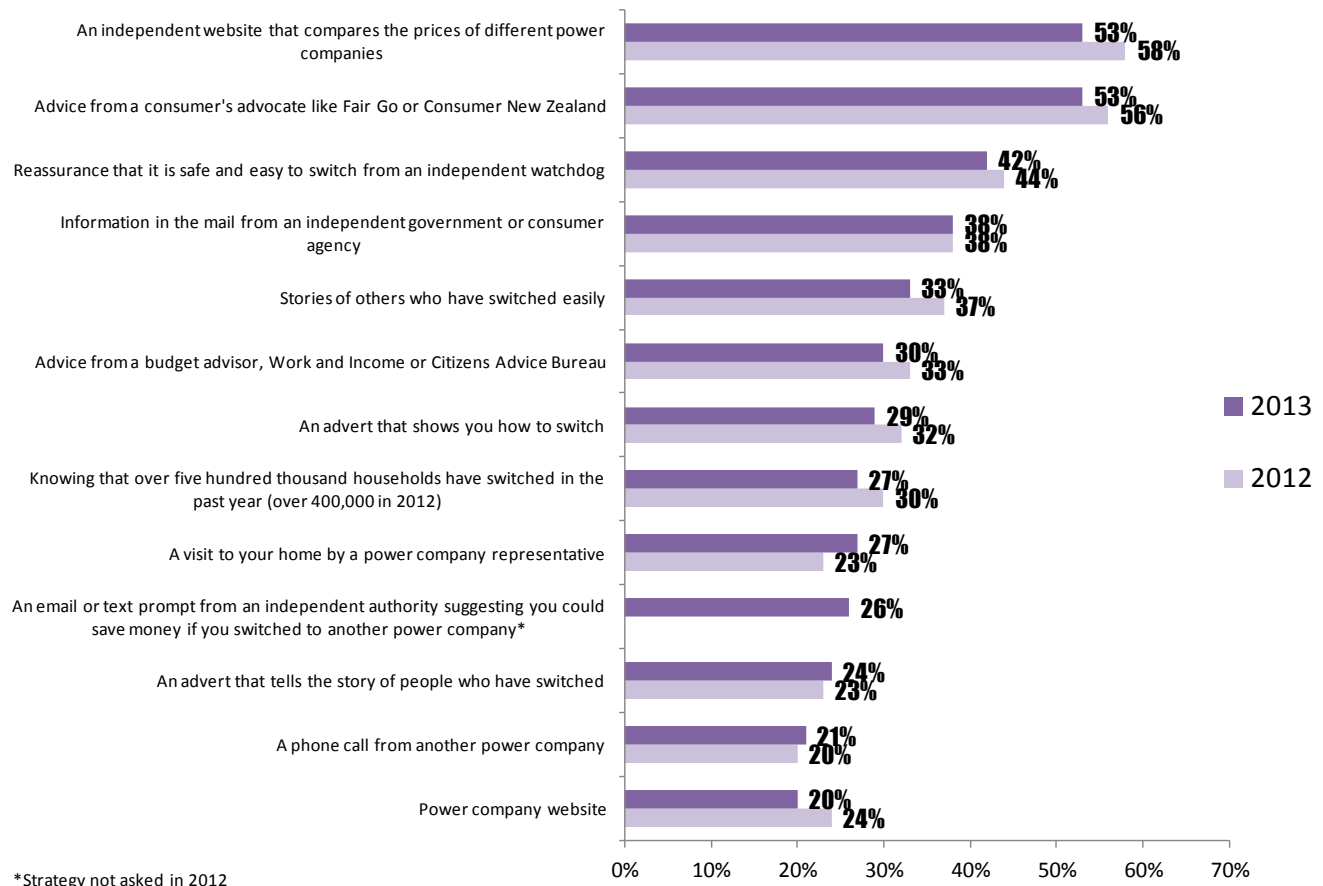
■ Lack of motivation to shop around even though most think reviewing their deal would be worthwhile

A large majority (81%) think it would be worthwhile to review which company could offer them the best deal and a similar number (85%) think an annual review would be best. Even so, only a third (32%) report they are likely to shop around. This discrepancy may be partly explained when taking into account only one in five believe they would still be on the best deal one year after switching.



■ Independent website and advice from consumer advocate most effective strategies to encourage switching

Of 13 strategies to encourage switching, two were rated as significantly more effective than the others on a 1-5 scale where 1 meant 'very effective' and 5 'not at all effective'. Over half (53%) rated 'an independent website that compares the prices of different power companies' and 'advice from a consumer's advocate like Fair Go or Consumer NZ' as effective. Only 24% and 22% respectively rated these as ineffective.

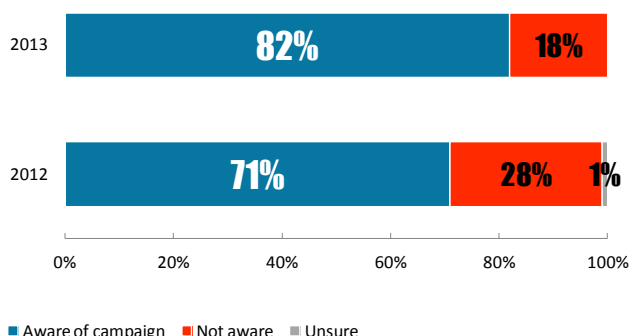


■ Hard copy information, a price comparison website and inclusion in an energy efficiency campaign seen as most useful ways of providing price comparisons

Information in their power bill was rated the most useful way to compare electricity prices (47% rated as useful, 7-10 on a 0-10 scale where 0 means 'not at all useful' and 10 means 'very useful'), closely followed by; including it as part of the information given when moving homes (46%), an independent consumer website (45%) and as part of a campaign that promotes energy efficiency (44%).

■ High awareness of What's My Number campaign and visits to whatsmynumber.org.nz website increase, visits to powerswitch.org.nz down slightly

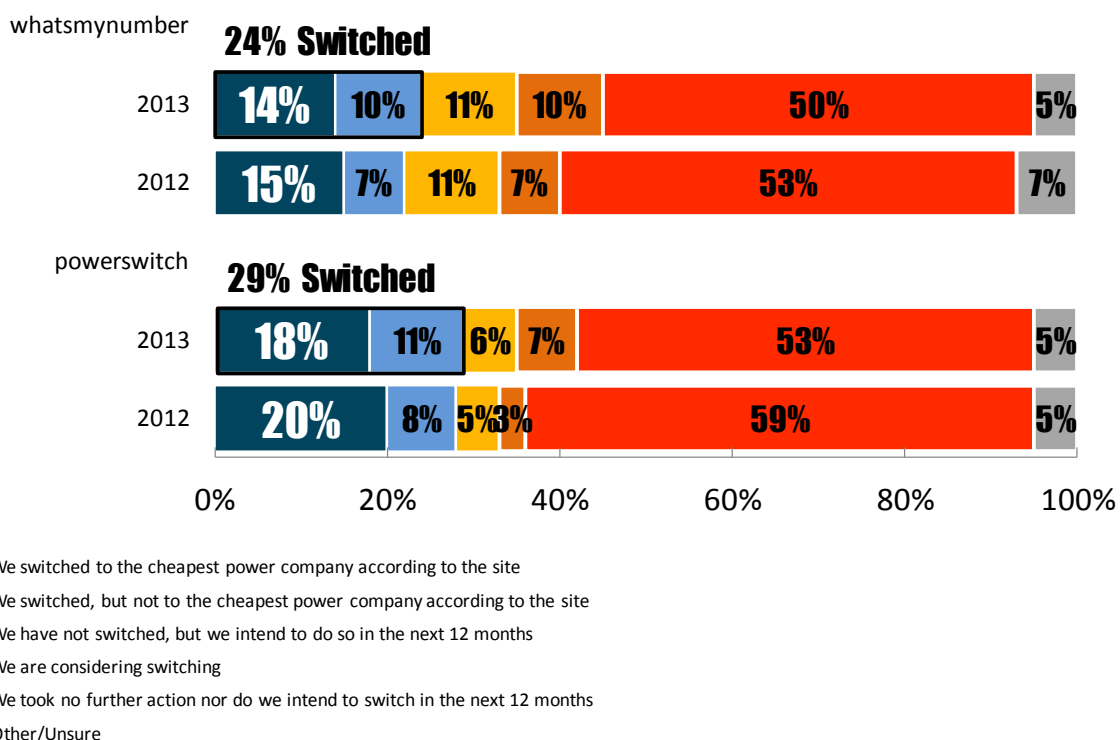
Four in five respondents (82%) declared they were aware of the What's My Number campaign after being prompted with a description of it, a significant increase of 11% from last year. Visitations to the website also increased to 30% (up 6%). Visits to the Consumer NZ website powerswitch.org.nz fell by 3%, returning to the 2011 figure of 14%¹.



■ Around half of visits to websites do not lead to switching

Although it is not possible to switch power companies using the whatsmynumber.org.nz site, those who visited it were asked what action they took after they had visited the site. Half of those that visited the whatsmynumber.org.nz site took no further action and did not intend to switch in the next year while almost a quarter (24%) switched after their visit.

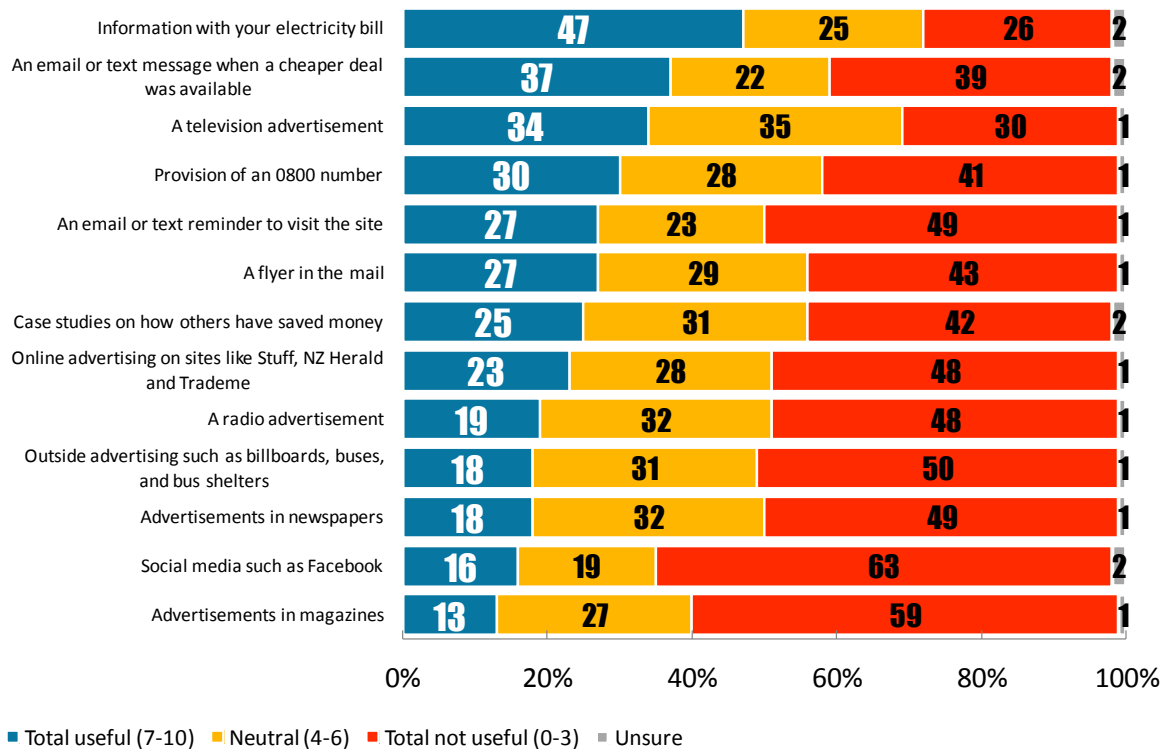
The powerswitch.org.nz website had more respondents switch after visiting (29%), but the whatsmynumber.org.nz site caused a higher level of speculation with 21% considering switching or intending to in the next 12 months after their visit (compared to 13% for powerswitch.org.nz).



¹ The 2011 question asked was 'Have you visited powerswitch.org.nz?' and in 2012 the question asked was 'Have you visited another consumer price comparison website called Powerswitch?'

■ Information with power bill, text messages with cheaper deals, and a television ad most likely to encourage visitation to website

Of a range of channels tested, information with their electricity bill (47% rated as useful, 7-10 on a 0-10 scale where 0 means 'not at all useful' and 10 means 'very useful') was rated the most useful method for encouraging people to visit a price comparison website, followed by an email or text message when a cheaper deal was available (37%), and a television ad (34%).



■ Satisfaction with the performance of power companies is steady

Consumer satisfaction with their power company has remained steady in the past 12 months across most measures. The measure with the highest level of satisfaction was 'general overall service', which had 65% of respondents satisfied (down 2%). This was followed by 'conducting actual meter readings not estimates' of which 60% (unchanged) were satisfied.

Just under half (49%, up 1%) were satisfied with the 'provision of extra services like on-line power usage information, FlyBuys or other loyalty rewards' and 48% with 'value for money', which also had the largest change from 2012 – a slight decrease of 3%. The lowest level of satisfaction was for 'its commitment to your community', which under a third (31%, down 1%) of respondents were satisfied with.

Consumer segments

Five consumer segments were identified in the previous rounds of research based on analysis of respondents' attitudes, traits, demographic profile, media preferences and propensity to switch.

Three of the segments remain almost unchanged in the latest results; Bargain Hunters (12% of the population, up 1%), Battler Mums (22%, down 1%), and Affluent Time-poor Sceptics (26%, up 2%). The Generation Y segment decreased by 7% to 17%, while the Old, Status Quo increased by 5% to 23% (both reverting back to 2011 levels).

In past waves of research, Bargain Hunters and Generation Y have been the two segments most positively impacted by the What's My Number campaign. In the latest results, both Battler Mums and Affluent Sceptics are recording visitation to the website in line with other segments which appears to indicate that the campaign is making some headway with these audiences. Visitation remains low across the Old, Status Quo segment.

**Bargain
Hunters**
12%



Bargain Hunters are the most likely to switch power suppliers and shop around for the best deals. They are more likely to be male, aged between 30-44 years, and have dependent children.

Bargain Hunters are supporters of the price comparison websites recording the highest visitation to both whatsmynumber.org.nz and powerswitch.org.nz. The best ways to encourage visitation to the site are: information in a power bill, an email or text message when a cheaper deal is available, an 0800 number, a television advertisement, and an email or text reminder to visit the site.

Gen Y
17%



Gen Y are technically savvy and socially connected but feel under financial pressure. They are more likely to be female, aged 18-29 years of age, earning less than \$40,000 a year, and to never have been married.

Gen Y are the second most likely to have switched suppliers (33% compared with 30% of all). They are open to a better deal but are not actively looking with the perceived time and effort to explore options appearing to be a bit of a stumbling block for this segment.

This segment were more likely to have visited the whatsmynumber.org.nz site but were no more likely to have visited powerswitch.org.nz which may indicate that potential savings were not sufficient to continue onto powerswitch.org.nz or that this site was considered too time consuming. The best ways to encourage visitation to the site are: information in a power bill, an email or text message when a cheaper deal is available, and a television advertisement.

**Battler
Mums**
22%



Battler Mums show a lack of confidence and are more likely to seek a second opinion before making a decision. While they say they are under financial pressure, they are unlikely to chase small savings. They are more likely to be female, aged between 30-44 years of age, to have dependent children, and to be married.

Battler Mums were the third most likely to have switched over the past two years (31% compared to 30% of all). Like Gen Y, they are open to a cheaper deal but are not actively looking. They need to be convinced about the savings that can be made and also that switching is easy to do.

Battler Mums are more likely to have seen the What's My Number campaign and slightly more likely to have visited the website. The best ways to encourage visitation to the site are: information in a power bill, an email or text message when a cheaper deal is available, and a television advertisement.

**Affluent,
Sceptics
26%**



Affluent Time-Poor Sceptics are more likely to be well read, technically savvy, and less price sensitive. They are unlikely to switch companies unless they experience poor service or see a sharp price rise.

This segment recorded the same level of switching as Battler Mums with 31% (compared with 30% of all) claiming to have switched over the past two years. However, they are much more sceptical that there are lasting benefits from switching supplier.

Affluent Sceptics are more likely to have seen the What's My Number campaign and slightly more likely to have visited both the whatsmynumber.org.nz and powerswitch.org.nz website. The best ways to encourage visitation to the site are: information in a power bill, an email or text message when a cheaper deal is available, and a television advertisement.

**Old,
Status
Quo
23%**



Old, Status Quo don't like change and like to stick with companies they know. They are more likely to be on low incomes, aged 60 years or more, and be a widow or widower.

Old, Status Quo are the least likely to have switched (22% compared to 30% of all). They are much less likely to shop around for the best deal or believe it is easy to switch and that money can be saved by switching.

This segment was the least likely to have visited either the whatsmynumber.org.nz or powerswitch.org.nz website. The best ways to encourage visitation to the site are: information in a power bill, provision of a 0800 number, a flyer in the mail, and a television advertisement.

Industry comparisons

Power companies were rated similarly to other industries on competitiveness (64% rated as competitive, 5-10 on a 0-10 scale where 0 means 'not competitive at all' and 10 means 'extremely competitive') but behind broadband providers (67%). However, power companies (74%) were positively perceived for ease of switching ahead of mobile phone providers (68%), landline providers (64%), broadband providers (58%) and banks (56%).