

Electricity Authority

Overview - Shopping Around for Electricity Retailers:
A Quantitative Study among the General Public

February 2014



Executive summary

Overview

Prompted awareness of the What's My Number campaign remains high, though levels have dropped slightly from 2013. Visitation to the website remains consistent and satisfaction with the experience has increased; however, savings need to be greater than previous years for people to consider visiting worthwhile, an indication that households maybe finding life a little easier and are not focused on small savings.

An independent price comparison website was deemed the most effective strategy in encouraging households to switch and the most useful way to compare power prices. Those that had looked for information about switching in the past year also cited an independent consumer website and a general internet search as the two most popular sources of information.

The best ways to encourage visitation to the website were providing information with power bill, email or text messages notifying when cheaper deals were available, television advertisements, and a 0800 number.

Around a fifth switched power companies after visiting whatsmynumber.org.nz, the key reasons for not switching were that they found they were already on the best deal or savings would have been minimal. Overall, the number of households that have switched in the past two years remains similar to previous surveys with the vast majority having switched just once. Financial savings were a predominant motivator in a household's decision to switch power companies. The key barriers to switching were satisfaction with their current company and the perceived hassle factor in switching.

Competitive activity remains strong, with evidence power companies have become more active with the number of times households have been approached increasing, even though the number of households approached overall remains steady.

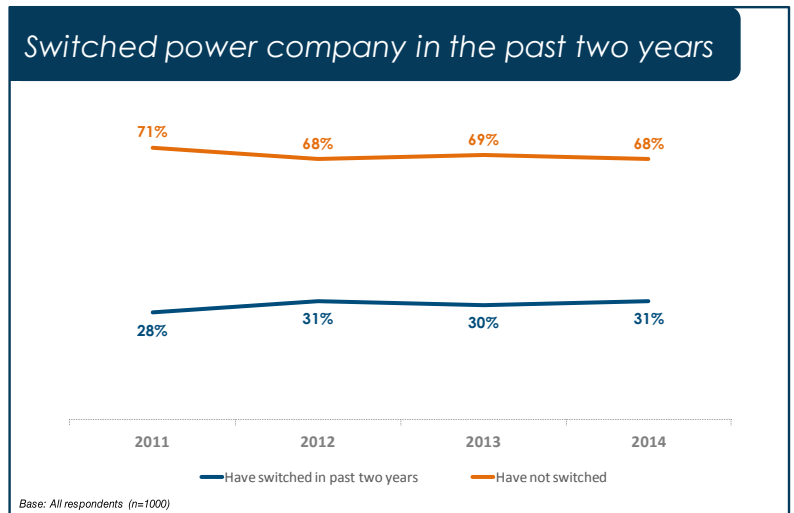
Nearly half of all households reported they are not actively looking to switch but would be keen to for a cheaper deal and 15% for better service. When prompted on their levels of satisfaction with aspects of their power company, only 50% were happy with their value for money and 68% with their service. There is further potential to get households to switch if they can be motivated to look around with 77% reporting it is worthwhile to review the best power deals and 70% open to switching.

Perceived ease of switching was highest for power companies than any other industry tested.

■ Switching follows consistent trend

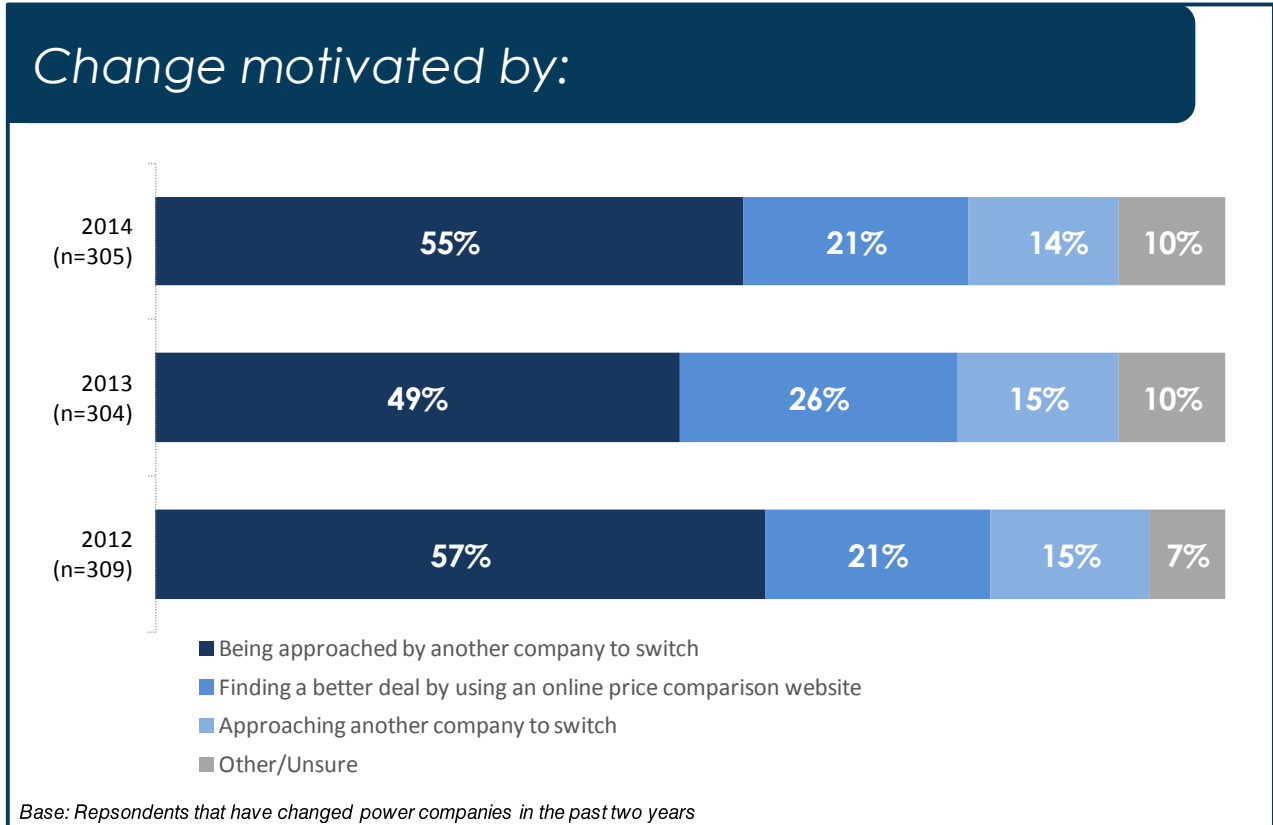
Similar to previous years, a majority of respondents had not switched power companies in the past two years (68%, down 1%). Just under a third (31%) had switched companies (up 1%).

Of those that had switched power companies in the past two years, the most common number of times households had switched companies was once (87%), with only 9% switching twice and 4% switching three or more times.



■ Being approached by another company the main motivation for switching

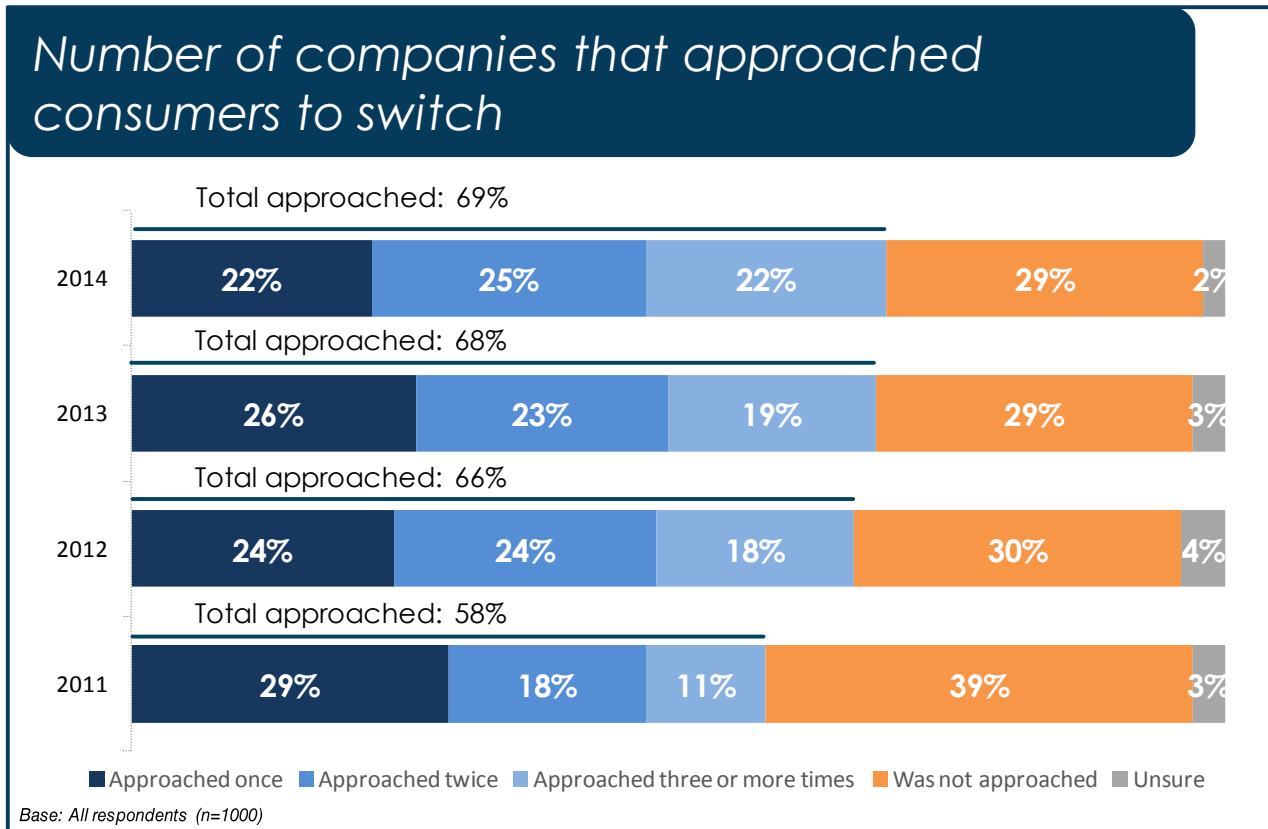
Being approached by another company to switch remains the main motivation to switch in 2014 with over half (55%) of households citing it, up 6% from 2013. Finding a better deal online remained the second largest motivation (21%, down 5%), followed by approaching another company to switch (14%, down 1%). Overall, the results were very similar to those found in previous years.



■ Steady level of retailer approaches to consumers

Competition remains strong among power companies this year with 69% of households having been approached about switching by at least one power company in the past two years (up 1%).

When comparing results of the 2014 survey to the prior survey in 2013, it was slightly less common for households to be approached only once (22%, down 4%) and more common to be approached two times (25%, up 2%) or three times and more (22%, up 3%).



■ Drivers predominately financial

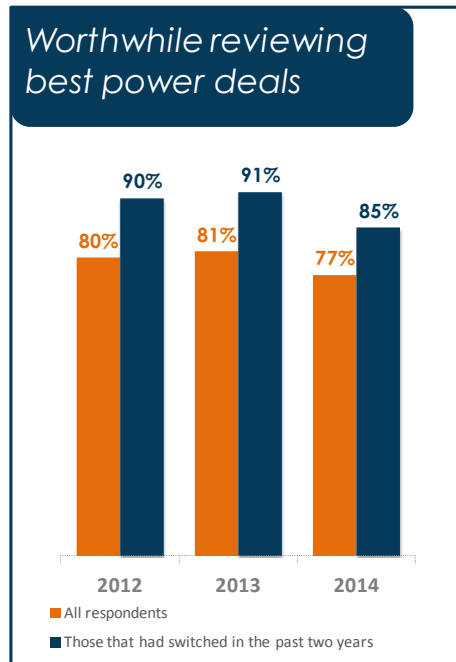
There were only three drivers for switching that stood out and all of them related to financial reasons. The predominant driver for switching was a personal approach from a power company with a better deal, cited by 43% of households. The other two reasons were cited by less than half that number – a financial incentive from the power company they switched to was cited by 21% and a high bill from their previous power company was cited by 19%.

Less cited drivers included moving home (8%), poor customer service from their previous power company and a visit to a price comparison website (both 3%).

■ Majority believe it is worthwhile to review best deal but down slightly

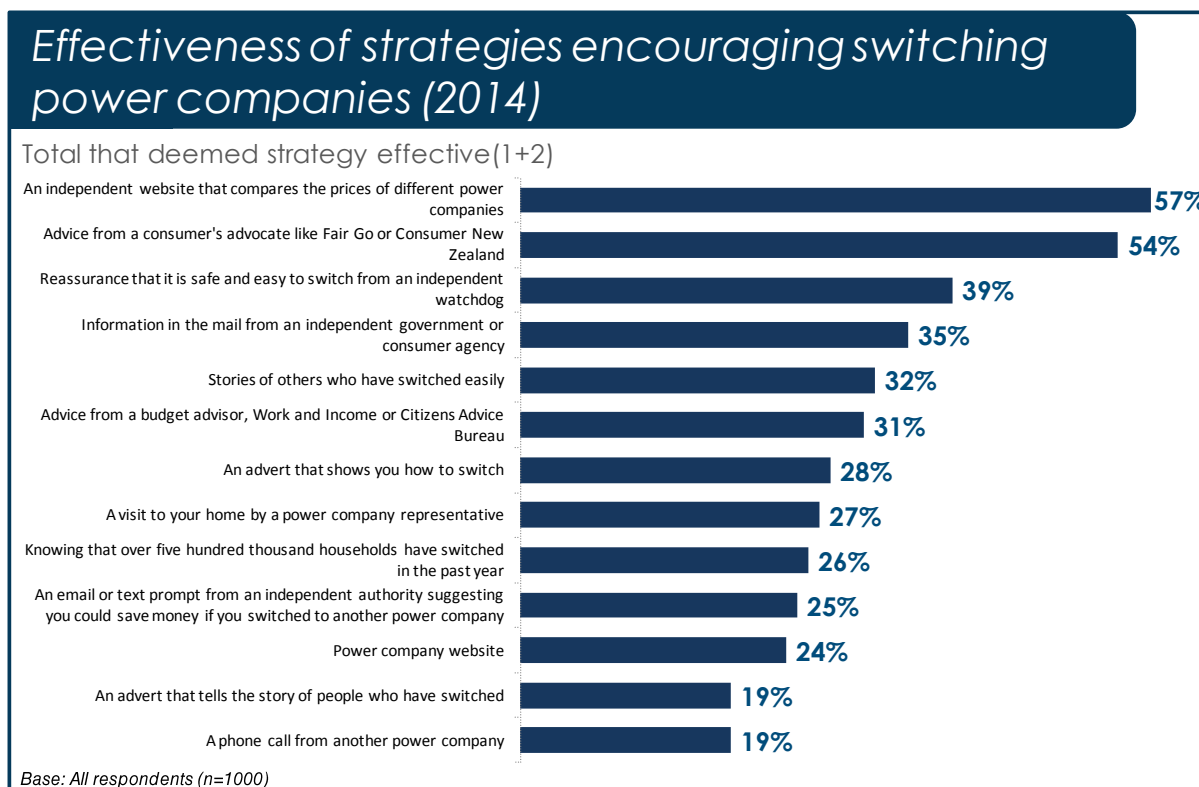
Although less than a third had switched power companies in the past two years, over three quarters (77%) believe it was worthwhile reviewing which power companies gave the best deals - a result slightly lower than that recorded in 2013 (down 4%).

However, similar to the discrepancy in 2013, only 30% of respondents stated they were likely to shop around for the best deal. Again, a rational explanation may be that the benefits of switching would not last with 22% not confident they would still be on the best deal one year after switching.



■ Independent website and advice from respected consumer advocate rated most effective

Ratings of the effectiveness¹ of strategies encouraging households to switch have mostly remained steady when compared to ratings given in 2013. An independent website that compares the prices of different power companies was perceived as the most effective strategy, rated as effective by 57% of households in 2014 (up 4%), followed by advice from a consumer's advocate like Fair Go or Consumer NZ (54%, up 1%).



¹ Effectiveness is rated by combining '1+2' on a 1-5 scale where 1 means 'very effective' and 5 'not at all effective'

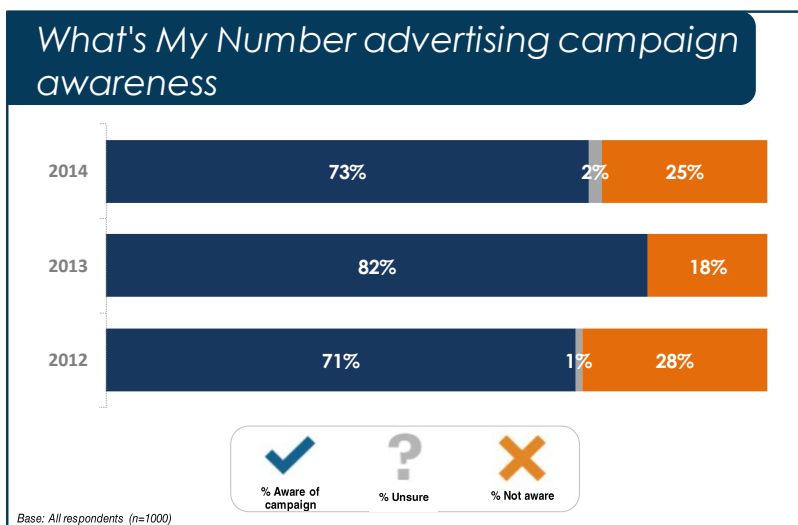
■ An independent consumer website the most popular source of information

One third of households said they had looked for information in the past year to help them make a decision about switching power companies - of those that had looked for information in the past year, the type of information that was most commonly used was an independent consumer website, cited by 40%. The second most popular type of information was sourced from internet searches such as Google, cited by 24%.

■ High prompted awareness of campaign

Almost three quarters of respondents (73%) reported having seen the What's My Number campaign after being prompted with a brief description of it, down 9% from the level of awareness recorded in 2013 and similar to levels recorded in 2012.

Visitations to the whatsmynumber.org.nz website remained steady with 31% of households reporting they had visited it in 2014 (up 1%). The powerswitch.org.nz website had less than half that number of visitations with 13% declaring they had visited it, also consistent with the 2013 result (down 1%).



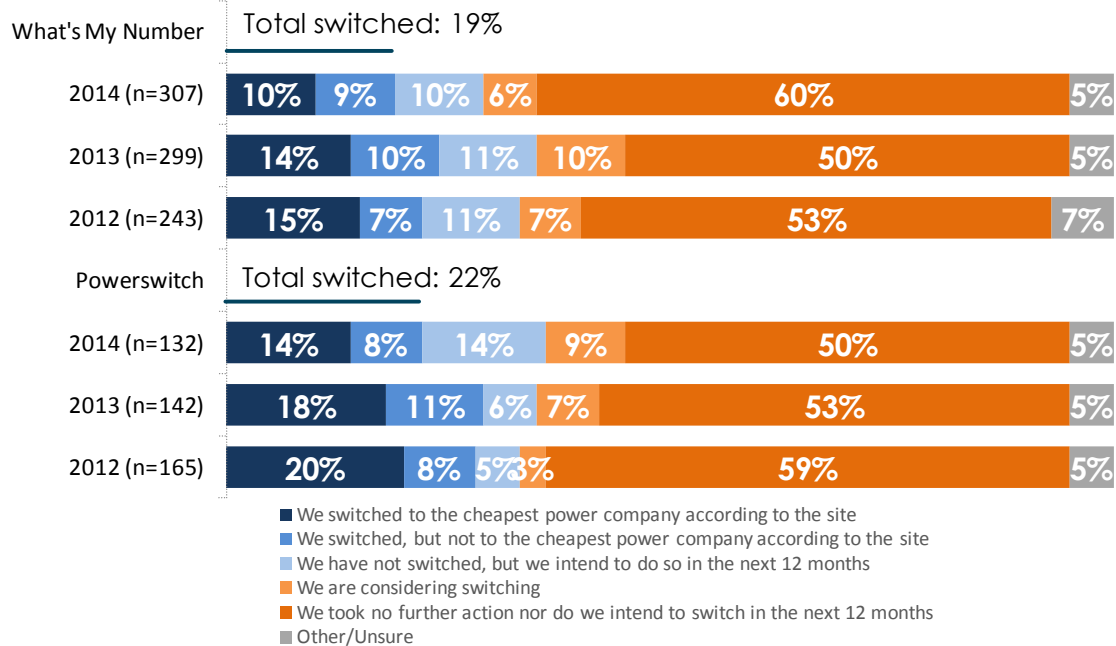
■ Around a third look to switch after visiting website

The majority of those that visited whatsmynumber.org.nz took no further action and did not intend to switch in the next year (60%), an increase of 10% from 2013. However, a large minority (35%) that visited the site have switched or are still considering switching power companies.

The Powerswitch website was slightly more likely to convert visitors to switchers with half of visitors taking no further action and not intending to switch in the next year (down 3%) and 45% having switched or are still considering it.

In total, 3% more households switched after visiting the powerswitch.org.nz site and 7% more were intending to or considering switching when compared to the whatsmynumber.org.nz site.

Action taken after visiting the website(s)



Base: Respondents that had visited the website(s)

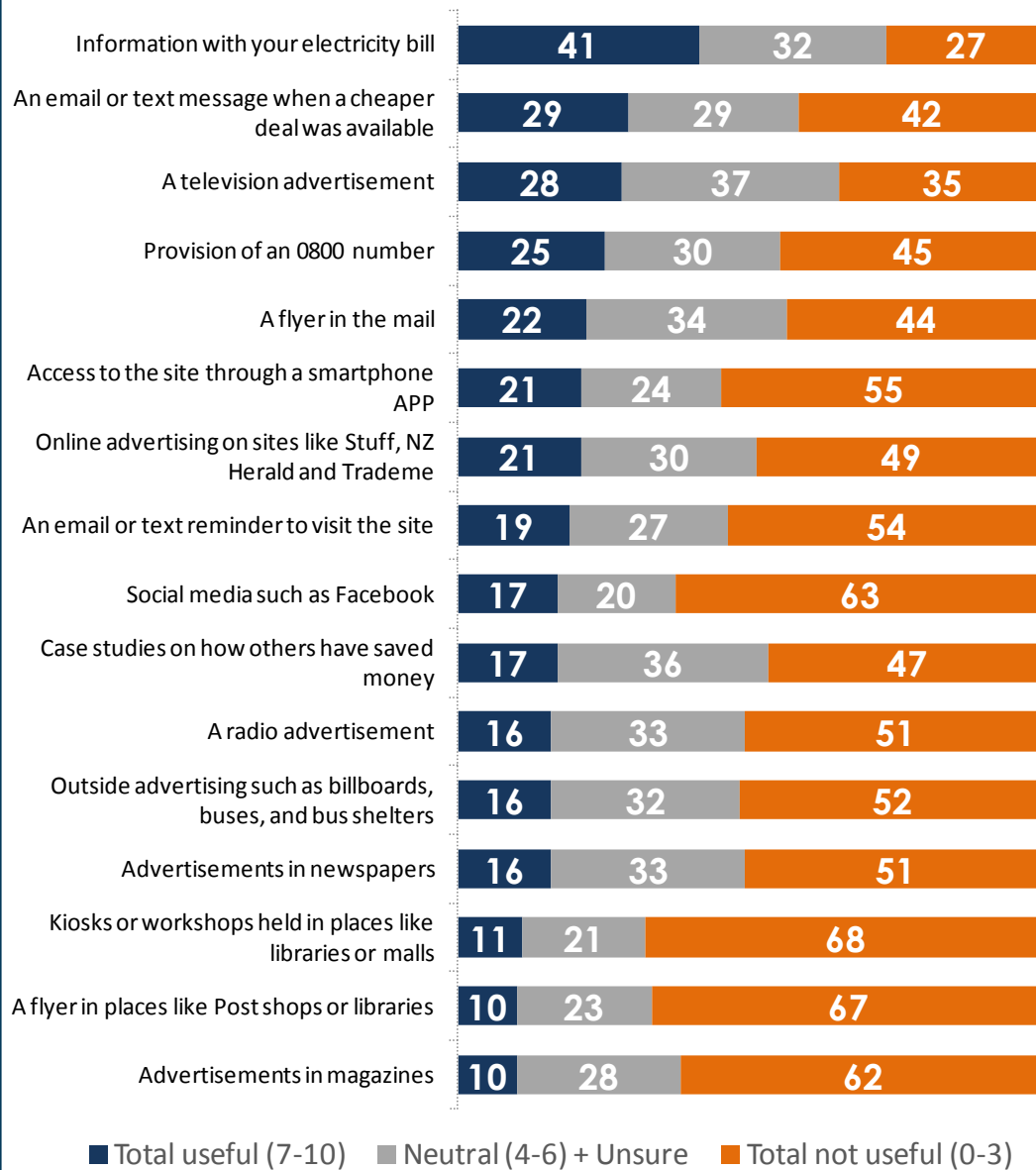
■ Decreased usefulness of methods to encourage visitation to price comparison websites

Ratings of usefulness for most methods to encourage visitation to price comparison websites have decreased this year. Of concern is that every method tested, with only one exception, had a larger proportion rate it as 'not useful' rather than 'useful'.

The channel that was rated as the most useful – and the only one to have a larger proportion rate it as useful rather than not useful – was information with your electricity bill, rated as useful by 41% of households (down 6%).

The next three most useful methods were an email or text message when a cheaper deal is available (29%, down 8%), a television advertisement (28%, down 6%) and provision of an 0800 number (25%, down 5%).

Usefulness of methods to encourage visitation to price comparison websites (2014)

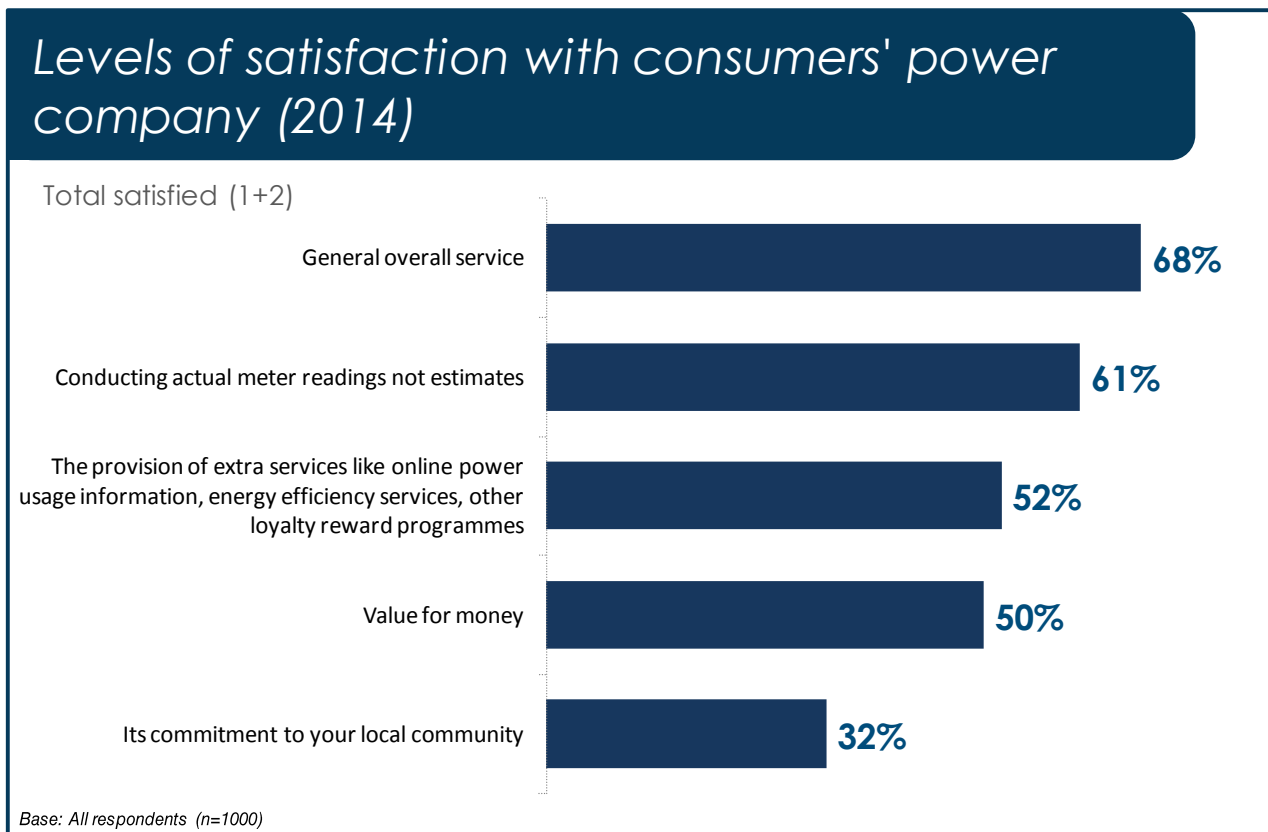


Base: All respondents (n=1000)

■ Satisfaction with power companies mostly steady or up slightly

Consumers' ratings of satisfaction across facets of their power company have generally remained steady from 2013. There were two slight increases for 'general overall service', which also had the highest rating of satisfaction across all measures (at 68%) and 'the provision of extra services' (at 52%), both increasing 3% from measures in 2013.

Other measures remained consistent with 61% satisfied with 'conducting actual meter readings, not estimates' (up 1%) and 50% satisfied with 'value for money' (up 2%). The measure rated lowest was, 'its commitment to your local community', with under a third (32%) expressing satisfaction; however, this measure also had a far larger proportion say they were unsure (31%).



■ Industry comparisons

Ratings for the ease of switching of different companies have remained very similar to those recorded in 2013, differing by no more than 2%. Power companies remain the industry to be rated as the easiest to switch between, with three quarters (74%, unchanged) believing they were. They were followed by telephone providers, with 66% rating mobile providers as easy to switch between (down 2%) and 63% rating landline providers as easy to switch between (down 1%). Broadband providers and Banks were the least easy to switch between of the industries tested, rated as easy by 59% and 57% respectively (both up 1% on 2013).

Consumer segments

Analysis was conducted to monitor the five segments identified from previous waves of research. The segments are based on analysis of respondents' attitudes, traits, demographic profile, media preferences and propensity to switch.

Three of the segments remained unchanged or almost unchanged: Bargain Hunters (12% of the population), Affluent Time-poor Sceptics (26%) and Generation Y (16%, down 1%). The Battler Mums segment increased 5% from 22% to 27% and also showed less differentiation by gender and have been renamed Battler Parents. The Old, Status Quo segment decreased 5% from 23% to 18% - identical to the size it was in 2011.

Similar to previous research, Bargain Hunters have far higher levels of visitation to the What's My Number and Powerswitch websites. Battler Parents and Affluent Sceptics are also recording visitation in line with other segments showing the headway made with these segments in 2013 has carried through to 2014. Visitation remains lowest among the Old, Status Quo segment.

■ Bargain Hunters (12%)



Bargain Hunters are more likely to be male, aged between 30-44 years, and have dependent children. They are more likely to change suppliers and seek to save money wherever they can. Satisfaction with their power company is lower across all measures and they declare less loyalty.

This segment is the most likely to have switched suppliers (56% compared with 31% of all) and to shop around. Bargain Hunters are very likely to visit an independent price comparison website (76%) and recorded the highest visitation to both the whatsmynumber.org.nz and powerswitch.org.nz websites. 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, a television advertisement, an 0800 number, a smartphone application, online advertising and a flyer in the mail.

■ Gen Y (16%)



Gen Y are more likely to be female, aged 18-29 years of age, earn less than \$40,000 a year, and to never have been married. They are less likely to be trusting of people and companies and feel under financial pressure. Declared satisfaction with their power company is average.

Gen Y is slightly less likely to have switched suppliers (26% compared with 31% of all). They are open to a better deal but are not actively looking and are not likely to actively look for the best power deal. This segment was less likely to have visited whatsmynumber.org.nz and powerswitch.org.nz. The best ways to encourage visitation to the site are: information in a power bill, an 0800 number, television advertisement or an email or text message when a cheaper deal is available.

■ Battler Parents (27%)



Battler parents are more likely to be aged between 30-44 years of age, to have dependent children, and to be married or in a de facto relationship. Although they feel under financial pressure they are still more likely to say that a lack of time is a bigger problem than a lack of money, showing how busy their lives are. They are social and confident on the internet, browsing it frequently. They are more satisfied with their power company than average.

Battler Parents were the second most likely to have switched over the past two years (32% compared to 31% of all). Like Gen Y, they are open to a cheaper deal but are not actively looking. Battler Parents are more likely to have visited the whatsmynumber.org.nz website. They were no more likely to have visited the powerswitch.org.nz website. They were more likely to rate many of the methods to encourage visitation to the websites as useful. For Battler Parents, 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, a smartphone application and an 0800 number.

■ Affluent Time-Poor Sceptics (26%)



Affluent Time-Poor Sceptics are more likely to be male, aged 45-59, married, and on higher incomes; they are less likely to have dependent children. They are more likely to be well read, tertiary qualified and to travel overseas. They are less sensitive to price and are less likely to be satisfied with their power company.

This segment recorded the same level of switching as Gen Y with 26% (compared with 31% of all) claiming to have switched over the past two years. They are less likely to be interested in actively looking for a cheaper supplier and even if they could save a few dollars, they probably wouldn't change. Affluent Sceptics are no more likely to have seen the What's My Number campaign and also no more likely to have visited the whatsmynumber.org.nz or powerswitch.org.nz websites. They also recorded lower ratings across most strategies to encourage visitation to the site. 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, a smartphone application, online advertising and an 0800 number.

■ Old, Status Quo (18%)



Old, Status Quo are more likely to be female, aged 60 years or more, on low incomes and be divorced or a widow or widower. They don't like change and like to stick with companies they know. They recorded higher satisfaction with their power company and have lower power bills.

Old, Status Quo are the least likely to have switched (20% compared to 31% of all). They retain a strong resistance to switching with 48% stating they are not interested. 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 television advertisement and a flyer in the mail.

Appendix: Methodology

These results are based on results from a telephone survey among a nationally representative sample of those aged 18 years and over who had either responsibility for paying the household electricity bill or who had a say in deciding who their electricity retailer was. The sample size was $n=1000$ and fieldwork was carried out from the 16th to the 29th of January 2014. The margin of error for a 50% figure at the 95% confidence level for a sample size of 1000 is plus or minus 3.1%.

As was the case with previous studies, in order to better understand switching and to provide direction for future communications strategies, a segmentation study was carried out to identify clusters of the population according to a range of factors including their propensity to switch, their attitudes, behaviour, demographics and media interests. This was carried out using cluster and key driver analysis.