

Why customers need an institutional voice in regulated sectors

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How do individual customers and companies engage with one another?

In *all* markets, there are at least six main methods:

1. Marketing – the promotion of products and services;
2. Sales – one-off or subscription;
3. Complaints to companies – these start as negative but can be learnings for the company;
4. Public comments on social media or forums;
5. Qualitative research such as focus groups or citizen juries;
6. Quantitative research – but different questions, different sample sizes, and different timing can all influence results.

All these are valuable forms of customer engagement which all companies and providers should be using.

In *regulated* markets, there are at least three further mechanisms:

1. Often there is an ongoing relationship with regular billing that might be monthly, quarterly or yearly – but evidence suggests that customers only look very quickly at bills simply to confirm charges.
2. Switching provider – but there are low levels of switching and, in some sectors, switching levels are actually falling.
3. Engagement with regulatory debates and submissions to regulatory consultations – but this is very difficult for customers who have busy lives and lack knowledge of regulatory issues and even language.

Yet, in regulated markets, customers need strong engagement because:

1. There is limited or no choice of provider.
2. We are talking about an essential service that no home can do without.
3. The sector has high costs because of heavy and long term investment needs in infrastructure.
4. There are complicated trade-offs to be made between different stakeholders.

So customers/consumers/citizens/users need a stronger voice than markets alone can provide and this needs to be an *institutional* voice in regulatory debates.

The different models for an institutional voice

There are three models for providing an institutional customer voice in sectors subject to economic regulation:

1. A body *within* the regulator – such as the Communications Consumer Panel in Ofcom, the Customer Panel in the Civil Aviation Authority, and the Customer Advisory Panel in Ofwat for Price Review 14.
2. A body *outside* the regulator – such as the former Postwatch and former Energywatch which were merged to form Consumer Focus and then became a unit in Citizens Advice plus bodies like CC Water and Passenger Focus
3. A body *within the regulated company* – such as the Customer Challenge Groups in the 18 water and sewage companies in England and Wales and the External Advisory Board in mobile operator EE.

I am very familiar with all three models:

1. A body within the regulator – I was the Member for England on the Communications Consumer Panel for eight and a half years.
2. A body outside the regulator – I was on the Council of Postwatch for its last three years and on the Board of Consumer Focus for its first three years.
3. A body within the regulated company – I have chaired the Customer Challenge Group for South East Water for four years and I have been a member of the External Advisory Board of EE since it was set up two years ago.

In my view, each model has its strengths and weaknesses. So I believe that the best approach is a combination of all three with clear definition of roles, close working of the parties, and proper resourcing for each body.

Need for cross fertilisation of the customer experience

Although each regulated sector has its own characteristics and complexities, there are some common features of all regulated markets. The regulators work together through the UK Regulators Network. Customer bodies similarly need to work together across sectors. Three relevant customer bodies are:

1. The Consumer Forum for Communications (which I chair) that covers telecommunications, broadcasting, spectrum, and posts;
2. The New Public Interest Network that covers energy and water;
3. The Essential Services Access Network that covers energy, water, communications and financial services.

Some examples of the many cross-sector issues to be discussed include: access, take-up, price controls, affordability, vulnerability, switching levels, complaint handling, alternative dispute resolution procedures.

How do customer bodies reach their views?

Like the regulators themselves, customer advocacy bodies need to be as evidence-based as possible. There are potentially many sources for evidence including the regulator's research, the sector body's research, the company's research, complaints data, and research by customer bodies including all those already mentioned plus Citizens Advice, and Which? However, all data has its limitations and many regulatory decisions do not lend themselves to customer research alone but require detailed knowledge and careful judgement.

Finally, we need to recognise the inevitability of trade-offs and make these as explicit and transparent as possible:

- between different customer groups;
- between present customers and future customers;
- between customer and citizens.

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