

## Note from the Consumer Panel in relation to Paper 74(04)

### Results of the spring 2004 Directory Enquiry market research and next steps

#### **Background to Panel's interest**

1. The liberalisation of the directory enquiry market was one of the first issues the Consumer Panel agreed it needed to look at closely, taking a paper on the background to the issue at its first meeting in March. At that point the Panel agreed that its focus should be on considering the lessons that could be learnt from the approach taken to market liberalisation and in particular the way in which consumers were informed about the change. The Panel was also concerned to see whether the liberalised market actually delivered the benefits anticipated by Oftel.
2. The Consumer Panel wants to make clear that it starts from a position of applauding moves to liberalise markets. But moves to liberalise must be taken with a clear picture of the benefits that are hoped to be delivered – and in particular the benefits to consumers. The Panel suggests that the time is now right to reflect on the learnings from DQ liberalisation and to ensure that future regulatory activity is enhanced by what is found.

#### **Panel recommendations**

3. The Panel suggests to the Ofcom Board:
  - a) That it is crucially important to be able to benchmark the “pre-change” position so as to be able to draw conclusions about the effectiveness or otherwise of regulatory intervention;
  - b) That regulatory decisions should be taken only when there is a clear view about what effectiveness means – not just for industry players, but for consumers too. This would include having a clear view about the likely impact of competition – an influx of new entrants may not necessarily be sufficient to deliver corresponding consumer benefits;
  - c) That it would be sensible to consider the “consumer information” implications of how consumers were informed about the change to DQ services. Such considerations will be relevant to Ofcom’s own forthcoming regulatory actions in the telecoms market – and more generally for the development of Ofcom’s consumer information strategy;
  - d) Finally, that it should be an integral part of every regulatory intervention that a clear process is in place to audit the actual impact of the intervention against that which was anticipated.
4. Going forward, the Panel suggests the following activity:
  - a) Future mystery shopping should take place in the autumn to establish how the market has settled;
  - b) If wide price differentials continue to characterise this market, Ofcom should consider how consumers can be made better aware of this fact.

## Observations on research results

5. The Panel was aware of the results of the initial round of Oftel/ICSTIS mystery shopping and was particular concerned to note the degree of variation in accuracy of services and the level of public concern about pricing. It agreed to consider the issue again once the results of further mystery shopping were known.
6. The Panel was provided (on 21 May) with a draft of some background chapters of the latest Ofcom/ICSTIS directory enquiry research, including reports on the results of the latest mystery shopping exercise and consumer survey. The Panel notes the headline results from the research:
  - a) that 83% of residential requests and 87% of business requests resulted in appropriate information being provided
  - b) that overall accuracy levels appeared to vary between 75% and 100%
  - c) that costs on a standardised basis vary between 24p and £1.08
  - d) that 85% of consumers are aware of the changes to the DQ services
  - e) that 70% of those consumers who were aware of the changes to DQ services could spontaneously remember a DQ number
7. The Panel would advise Ofcom to consider four key factors in its deliberations over next steps for DQ:
8. **Price - have the prices of DQ services fallen with liberalisation?**  
Oftel clearly expected liberalisation to deliver lower prices. In so far as it is possible to use it as a baseline, the pre-liberalisation price charged by BT for two numbers was 40p. The latest mystery shopping results of 30 companies (out of 100+ operating) show 15 companies with prices greater than or equal to 40p. BT pricing for their new 118 500 service appears to run at 40p fixed charge plus 15p per minute – which whilst not a like for like comparison to pre-liberalisation 192 does appear to be an increase.
9. Research results appear to show that the highest awareness and prompted recognition is for the service operated by The Number UK (118 118) – a service which appears actually to be one of the most expensive services with an average cost for residential calls of 58p (55p for all calls). Indeed all of the three services, The Number UK, BT and Conduit, noted to be most often chosen and receiving highest awareness figures, were discovered to charge higher prices than pre-liberalisation 192.
10. **The Panel believes Ofcom needs to see usage figures for all DQ services compared against cost to develop a fuller understanding of the impact that liberalisation is having on spending behaviour.**
11. **Quality – has the quality of DQ service provision increased post-liberalisation?**  
We know that assessment here is based on a makeshift benchmark of assuming BT's post-liberalisation 188 500 service offers an equivalent service to its pre-liberalisation 192 service. Based on this benchmark it

does appear that the services included in the mystery shopping exercise are achieving average accuracy rates above the benchmark, and that there is now less variation in accuracy levels.

12. The Panel notes that this is an improvement on figures revealed in the first round of mystery shopping and hopes that this marks the start of an upward trend. **However, the mystery shopping exercise addresses just a snap shot of the market and the Panel believes more comprehensive data must be collected before Ofcom can say with any confidence that accuracy levels are adequate.**
13. **Customer usage and satisfaction** – *are customers continuing to use services and are they happy with the service they receive?*  
The Panel notes that telephone DQ usage appears to have fallen since liberalisation. This may well be influenced by a number of factors e.g. a shift to web-based DQ services by large organisations, but Ofcom's own research reveals that 26% of adults are now claiming to use services less frequently than they used to. Reasons cited for reduced usage include perceptions/experience of higher costs.
14. In terms of customer satisfaction, there is no benchmark to compare against. There is little reference to satisfaction in the research document provided which simply notes that "of the 30% of adults that have selected a main DQ number to call for directory services almost two-thirds (63%) were satisfied with the service they have received, 22% claim to be very satisfied". The Panel assumes that the 22% is in addition to the 63%.
15. This leaves us no clearer about the satisfaction levels of the remaining 70% of consumers who may use DQ services but who have not chosen a main DQ number i.e. who are likely to be more ad hoc users.
16. **The Panel suggests that further interrogation of the data is required before an adequate assessment of satisfaction can be made.**
17. **Consumer awareness** – *are consumers aware of the changes to DQ services and can they make informed choices?*  
The Panel notes that the latest research results suggest a level of awareness of changes to DQ services consistent with that observed in November 2003, a reasonable mid-80%. However there is little in the research to suggest that the market is yet able to dispel consumer confusion and disenchantment when it comes to informed decision-making.
18. For instance, the results reveal that there is no correlation between price and accuracy – a residential customer could pay £1.08 for a service delivering an accuracy rate of 86% or 30p for a service delivering an 89% accuracy rate. **The Panel would be interested to see data on how customers who do not have a preferred number choose which DQ service to use – in particular whether they are likely to undertake any**

**degree of search to find the best rate, or whether they will call simply the first number to hand.**

19. The Panel also believe that follow-up work could usefully be undertaken to provide information about consumer awareness levels of costs of services such as onward connection or text to mobile number sending – new services are key to service differentiation and which the research suggests are likely to see an increased take-up.
20. Finally, and of crucial importance bearing in mind the development of the telecoms market, all results are based on calls made from BT fixed lines. This neglects a significant section of the UK's total call volume and is an area which warrants further investigation e.g. how many calls to DQ services are made from mobile networks? what is the likely cost differential from a price quoted for a BT fixed line?

### **Conclusion**

21. The Panel is mindful of the strong public interest in DQ. It recognises that Ofcom must concentrate on the way the liberalised market is developing. It is the interests of all to see a well-functioning market offering a choice of high-quality, competitively-priced services. But this must be accompanied by transparent pricing structures and adequate information on which consumers can base purchasing decisions. The Panel does not consider that the research shows that this position has been reached.
22. The results of the latest Ofcom/ICSTIS research will, if appropriately presented and publicised, be a useful tool for consumers. A more thorough analysis of cost structures, including an understanding of mobile tariff differentials, greater rigour in assessing consumer decision-making behaviour and a better understanding of satisfaction across all users should be essential next steps for Ofcom.

### **Comments on process**

23. The Panel notes that it would have been unable to provide comments to the Ofcom Board on this matter had the original timetable adopted by Ofcom staff been adhered to. It would like to remind Ofcom colleagues of the obligations of the Memorandum of Understanding agreed with the Ofcom Board which commits to early engagement on issues of common concern.

[REDACTED] on behalf of Consumer Panel  
June 2004