

Improving Retail Service Quality for Consumers:

Initial feedback on addressing potential
consumer 'pain points'

2degrees Submission to Commerce Commission (Public Version)



Introduction

Thank you for the opportunity to provide initial feedback on the Commission's work on potential consumer 'pain points' in the telecommunications industry as part of the Commission's 'retail service quality' work.

You'll be aware that 2degrees is highly regarded for its consumer service, and that as a competitive operator, competing for both fixed and mobile consumers, we're very focussed on enhancing consumers' telecommunications experiences with us (including addressing issues that consumers raise with us). This is both to attract and retain consumers and to grow our business, enabling the significant future investment required to deliver ongoing competitive services to Kiwi consumers.

2degrees now has **[C-I-C]** mobile customers and **[C-I-C]** fixed customers, generally interacting with our services multiple times a day. Most consumers have numerous connections in their lives (for example broadband, mobile and sometimes landline connections), which - along with constantly updating devices – brings a level of service complexity that isn't experienced in the utility industries telecommunications is often compared with.

Despite millions of interactions, we only receive a tiny number of customer complaints, and those few that we do receive, we work hard to address.¹ We also actively seek to address other consumer 'pain points', including those that may be an issue of another provider. We call that competition.

2degrees' strong consumer focus is backed up by our record

Our strong consumer focus is evidenced in the significant innovations and investments we've made to date, and by our continued planned investments in customer experience. 2degrees' own consumer research and independent consumer surveys place 2degrees not only well in terms of telecommunications, but across sectors in New Zealand that the Commission regulates. You'll already know:

- Our long history of competitive pricing and innovations includes halving prepay rates on entry, introducing the prepay 'combo', Shared Data, CarryOver Data, Free data-hour, Wi-Fi calling and open-term plans as standard;
- We championed the removal of consumer switching barriers such as number portability and handset locking;
- 2degrees has been awarded the winner of Canstar Blue's Most Satisfied Customers for Mobile Plans for the last six years in a row, New Zealand's top telco brand by Campaign Asia and New Zealand's number eight brand for customer experience across industries (not just telecommunications) by Kantar;
- 2degrees was ranked as the sixth 'fairest' company in New Zealand in the 2020 Colmar Brunton Corporate Reputation Index survey; and
- **[C-I-C]**.

¹ For example, refer to 2degrees' very low number of 'complaints/enquiries' to the TDRS.

Not everything always goes perfectly, and we must prioritise

That is not to say with millions of consumer interactions there are not any consumer pain points:

- We all know that fibre installation issues have been an issue as we transition fixed broadband to the UFB network (and that this was especially an issue when the Government introduced this 'retail service quality' legislation back in 2018);
- In both fixed and mobile, *driven by (and driving) competition*, 2degrees is constantly seeking to identify and address areas where we can improve our service for consumers. We've got a strong incentive to do this – it's a competitive market and we work hard to gain customers, which is essential to our growing business. We hope the Commission appreciates this.

Of course, we don't have infinite resources, and it's not possible to do everything at once. We're not the same as other operators, and we must prioritise what we believe is most important to *our* customers and prospective customers, based on feedback, our brand promise and practical implementation issues.

For example, for 2degrees historically as New Zealand's challenger mobile network operator a key priority was improving coverage and quality for our customers. While we couldn't do it overnight, we have now invested more than \$1 billion, deploying a mobile network that went from 47% at launch to 98.5% population coverage, in line with our competitors. As we've noted previously, this deep infrastructure investment has delivered a material change in New Zealand's market dynamics that has benefitted all Kiwi mobile users.

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While we know a 'pain point' for other operators has related to Customer Care centres, 2degrees has invested in award-winning Kiwi-based customer care from launch. The ability of our Care teams to quickly and effectively transition to a work-from-home environment in the event of the COVID-19 lockdown provided great consumer service at a difficult time, reflected in 2degrees' customer satisfaction surveys. Our 'Your 2degrees' app is well liked, and is designed, tested, and refined in response to customer feedback **[C-I-C]**

We've got lots of consumer retail service quality improvements already in the pipeline

We're constantly evolving our business and have got a lot more planned for customers in the pipeline, including to address what we see as potential consumer 'pain points'. For example, right now we're **[C-I-C]**

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We hope and expect these initiatives will result in significant consumer benefits.

We welcome the Commission seeking to inform its future Retail Service Quality Work Programme

It's important to inform any future potential Commission work in the area of 'retail service quality' with consumer feedback, as well as an understanding of practical impact and implementation issues. This is especially the case in a competitive mobile market.

We understand that the Commission has engaged an external expert to conduct a consumer survey to help identify potential consumer issues in the telecommunications market (albeit there have been some delays and responses will not be available as early as planned).

While we haven't been able to see the survey design yet, we think it's great the Commission is seeking an 'independent' survey of consumers to help identify potential customer pain points. We're keen to see the feedback the Commission receives from consumers, to understand any correlation with our own substantial experience and if issues raised are ones we're already looking at. We're also keen to see the feedback from the Commission's previous consumer survey.

To date, the Commission has indicated that consumer complaints* (*may be not upheld) it has received mainly concern the following - although clearly not all of these apply to 2degrees:

- Complaints that providers have changed customers' plans without permission;
- Incorrect billing and having to chase corrections with providers;
- Slower internet than advertised; and
- not getting to watch games paid for through the sport subscription service.

In terms of key issues 2degrees sees, these include issues with fibre connections (proportionally we see more complaints about fixed issues than mobile) and issues with devices (for example needing to get them repaired and the repair process). In terms of fibre provisioning and installations, we acknowledge the industry has made significant inroads, and that issues were more difficult during the COVID-19 lock-down periods. As more connections become 'intact' (i.e. moving from one UFB provider to another, rather than full fibre installation) difficulties should be expected to lessen however improvements are required, including at a wholesale communication level, in order to improve the consumer experience.

We will be able to better engage with the Commission on this once we've seen consumers' feedback and can investigate whether these findings are reflective of what we're seeing.

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In the meantime, we're very keen to ensure the Commission's process and any potential subsequent actions:

- Respect and don't distort competition in the relevant market. For example, a particular issue with one provider, but not another, does not mean regulatory intervention is the answer. Some actions could unintentionally harm competition.
- Are supported by evidence regarding the scope and size of any issue: any regulatory interventions should be proportionate to the size of a problem identified, taking into account problem definition and cost versus benefits. Ensuring steps are practically implementable and within reasonable timeframes is critical for us to ensure great consumer experience. This requires that the Commission more effectively engage with industry to understand the true impact of any actions it proposes, and that practicable potential solutions are being considered.
- Recognise that any Commission interventions are not costless, and result in delays and reduced resources to other planned initiatives focussing on improving consumer experience.

Concluding comments

2degrees is a strong supporter of improvements to the retail consumer's experience – it's at the heart of what we do. We are a competitor in this market, and are constantly striving to give our customers a better experience than competitors.

While we welcome the Commission seeking to better inform itself on retail market issues, including potential consumer 'pain points', we reiterate our request that the Commission be conscious of that bigger picture when proffering changes, and that evidence is provided before costly, and potentially ineffective, changes are required of operators.

We also reiterate that, along with our competitors, 2degrees is investing heavily for the future while delivering the services today that underpin New Zealand's economic recovery. The Commission needs to consider the wider impacts, including costs, of intervening in an industry that is already delivering to consumers and has very substantial investments for consumers planned, including with the rollout of 5G.