

30 November 2020

**PUBLIC VERSION**

Tristan Gilbertson  
Telecommunications Commissioner  
Commerce Commission  
44 The Terrace  
WELLINGTON 6140

By email: Tristan.Gilbertson@comcom.govt.nz

Dear Tristan,

### **2degrees' plans to improve information about its consumer mobile plans**

I write in response to your 17 September 2020 letter "*Addressing transparency and consumer inertia issues in the mobile market*", and the accompanying Mobile Bill Analysis (the Schiff Report).

As New Zealand's telecommunications challenger, 2degrees is a long-time champion of customer experience, switching and competition:

- We have invested more than \$1 billion to date, deploying a mobile network that delivers 98.5% population coverage. This long, deep investment in New Zealand's infrastructure has delivered a material change in market dynamics that has benefitted all Kiwi mobile users.
- We have complemented this with a long history of competitive pricing and innovations that prompt consumers to review their service and change provider (examples include halving prepay rates on entry, introducing the prepay 'combo', Shared Data, CarryOver Data and Wi-Fi calling);
- We championed the removal of switching barriers (including number portability and handset locking); and
- We have invested in award-winning Kiwi-based customer care, including innovative services with functionality that increases transparency and information, encouraging customers to consider switching. This includes our award-winning app, which has been designed, tested and refined in response to customer feedback.
- Consumers' appreciation of these efforts has been continually recognised in independent consumer surveys, for example 2degrees has been voted 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 by Kantar.
- We take seriously the trust our customers place in us and were also the only telco in Colmar Brunton's top 20 2020 reputation index. We were the sixth 'fairest' company in New Zealand, with fairness linked directly to consumer perception that a company charges fair prices.

We are pleased the Commission-funded Schiff Report recognises that the "majority of [mobile] consumers get good value for money" and confirms that customer switching is high, even without including obvious customer switching between providers.

This is reflective of the competition 2degrees has worked hard to bring to the mobile market and the resulting competitive dynamic, which ensures consumers can choose between differentiated products that suit them, at competitive prices.

Given that the Commission’s own 2019 Mobile Market Study acknowledged “increased competition has contributed to improved outcomes for consumers through lower prices, increasing quality, and greater choice of services” it was disappointing that your letter and the Commission’s media release did not acknowledge the positive Schiff Report findings and that issues relating to usage were focussed on ‘pockets of customers’.

2degrees supports consumers taking stock of their mobile usage and making a change for the better. We have built our business on them doing so. We are, however, part of a fiercely competitive industry that fights hard for new business and needs to generate revenues to invest in future technologies such as 5G. We ask that the Commission be conscious of that bigger picture when proffering changes and that evidence is provided before costly, and potentially ineffective, changes are imposed.

### **Our current plan of work**

2degrees is constantly evolving its business, with ongoing improvements to its industry-leading customer experience. We already have a substantial work programme to further improve our customer platforms. This includes:

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These initiatives will result in significant consumer benefits and improved ‘retail service quality’.

### **Feedback on the Schiff report**

Your letter sought comment on the Schiff Report by September 30, which was extended to November 30 due to issues in returning underlying 2degrees data so we could examine how it had been used. Given that this data set was only received on November 11, and is still limited, we are confining our comments on the report, at this time, to the way it has been communicated, but we do have concerns over the accuracy of the report.

While we do not agree with all aspects of the Schiff Report, it did highlight that issues were limited to ‘pockets’ of consumers who *may* be able to spend less by changing plans. This important distinction was absent from the Commission’s media release<sup>1</sup>, which implied an issue of far greater scale.

The Commission media release stated that 64% of consumers had not changed plans in the 12 last months, without acknowledging the arguably positive statistic that more than one in three had done so – or acknowledging that this figure excluded consumers who switched base plans between prepaid and postpaid, or who switched and between providers.

It then made a general market statement that “a quarter of post-paid consumers could save an estimated average of \$11.60 per month by moving to a cheaper plan” and that “7% of all residential consumers...could potentially save an average of \$48.65 per month”.

In fact, these statements related only to the portion of consumers that had not switched providers and did not acknowledge other important factors impacting plan choice (for example discounts

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<sup>1</sup> <https://comcom.govt.nz/news-and-media/media-releases/2020/mobile-operators-should-improve-consumer-choice-through-easier-comparisons>

available through product bundles and handset choices). The Commission also did not acknowledge that these findings related to the industry as a whole and will differ depending on a customer's provider as well as customer preferences.

### Commerce Commission proposals

You also outlined some specific measures for industry to progress. These had not been canvassed with the industry and so their impact or effectiveness had not been considered.

We have reviewed these proposals and outline our plans to increase consumer information later in this letter. Before doing so, we provide the following context:

- **The mobile market is very competitive, with high amounts of switching:** Switching in telecommunications compares very well to other industries such as electricity and banking. With one of the best number portability systems in the world and intense retail level competition between three prominent brands, all investing in 5G networks, the mobile industry is far from a shrinking violet in terms of engagement with consumers. When coupled with continual launches of increasingly feature-rich multi-band handsets that consumers can use on any network – via a payment plan not linked to their monthly plan – it is hard to envisage a more engaging consumer category.
- **The wider reasons underpinning consumer plan choice are important in telecommunications:** It is over-simplistic to suggest a mobile consumer is on the wrong plan if they do not use their full allocation. Other factors, partially acknowledged by the Schiff Report, include handset discounts, sharing and carryover, wider add-ons, the price certainty of a monthly plan and that for some the monthly mobile spend is a 'low-involvement' matter.
- **Implementation of the Commission's suggested changes will delay planned improvements for 2degrees customers.** Our development programme includes initiatives that will improve our customer experience and reduce 'pain points'. These are derived from our insights and customer feedback, so we have a high degree of confidence they will improve our service to customers. The Commission's proposed measures are not supported by evidence they will be effective. While we are progressing the changes outlined below, 2degrees needs to include them in a staged programme of work.
- **To help consumers, Commission engagement with industry should change.** Historically, the industry has been provided with draft reports and time to provide feedback on those reports. This helps ensure the reports are accurate and better informs the Commission on the relevant issues, prior to the Commission making decisions on what is best for consumers. We consider this results in improved consumer outcomes.

Given this convention, 2degrees provided information to the Commission on a voluntary basis and in good faith. The release of the mobile billing review saw a media release about the report distributed to media *prior* to mobile operators' accessing the report. In addition, the information provided in the Commission's media statement was misleading and led to inaccurate media reporting.

2degrees supports customer switching. As previously highlighted, we have leveraged consumers' interest in reviewing their mobile plans to grow our business and are continually seeking ways to do so. If the Commission's aim is to enhance consumers' interest in their mobile service, engaging directly with operators rather than via media criticism will be more effective and allow the Commission to better assess and understand the consumer impact of proposals.

## Increasing the usage information available to consumers

The Commission has asked the industry to “address transparency issues and empower customers to make meaningful choices”.

While we do not wish to comment on the digital capability of our competitors, 2degrees believes it has taken a leadership position when it comes to transparency via digital tools. 2degrees already provides mobile customers with extensive usage information across multiple platforms: our award-winning 2degrees app, self-care portal ‘Your 2degrees’, via bills emailed to customers and via our Care team.

The 2degrees app is our primary consumer touchpoint and has evolved following substantial customer testing and refinement. Our ‘dashboard’ provides customers with a single page view of their plan allowance, carryover balance, available data, voice and text, spend since last bill, and sharing information (as set out in Annex A). For the vast majority of our users **[C-I-C ]**, this is all that is accessed.

If customers want more detail it is readily available. Via ‘one click’, consumers can choose to view more detail on usage, including a graphical summary of six months usage. This can be viewed for Data, Voice and Text, and daily breakdowns are also available.

2degrees’ customers can already access 12 months of billing and usage information via our online customer Self-Care Portal, which allows customers to extract and share usage information via PDF or CSV format.

While we encourage customers to access more ‘real time’ information from the app and self-care portal, point-in-time bills are also emailed directly to customers and our Care team has the skills to assist customers seeking historical billing information.

Although the vast majority of our customers are not seeking additional historical information, and this has not been identified as a consumer pain point for us, we are progressing further transparency enhancements given the Commission’s comments:

- **Communication of usage information:**

We want to increase customers’ awareness of the usage information already available to them. Our 2degrees app already has ‘Your Usage’ in a premium position on the dashboard, but we have made this more explicit for customers accessing the point-in-time bills we email them. This month we added the following message to our bill email template:

*You can keep tabs on up to 6 months’ worth of your data, text and calling usage in our Mobile App. Look back even further online, up to 12 months of billing information is available in [Your 2degrees](#).*

- **Extending usage information on the mobile app from 6 months to 12 months:**

Our graphical summaries of usage on the app (for all voice, text and data) already go back 6 months, with 12 months of detailed usage information available online.

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### Addressing consumer inertia issues

As stated previously, there are many reasons mobile customers choose to stay on the same plan. These include, sharing data, the certainty of not worrying about overage, handset discounts and planned future use. Many customers are satisfied with their service, which may be delivered at a cost that is of relatively little consequence given their overall expenses. Remaining on the same plan does not suggest there is a problem, or that a consumer has not considered switching.

We do not consider it is appropriate to force customers onto a plan a third party deems 'better' for them – in fact, we see it as a backward step for consumer choice.

As stated previously, we are supportive of switching and believe consumers that check their mobile service will find a 2degrees service that meets their needs. However, any regulation that forces a change would be counter to consumer choice and damaging to competition.

Given that view, we are supportive of increasing awareness of different plans.

2degrees already sends a 'Happy Anniversary' email to pay monthly customers annually. This 'Your Year in Review' feature shows customers how much data, calling, and texts the customer used in the last 12 months, and provides customers with a link to check out plans.

We are making changes to this message to encourage consumers to check their usage, including directing them to additional usage information on the 2degrees App and on Your 2degrees online if they are thinking of a change. (As set out in Annex B)

### Implementation of a consumer data right

2degrees is also working with the TCF regarding a Consumer Data Right and has contributed to the TCF submission on this matter. We understand that you have indicated that you do not want the TCF to respond on improving transparency and consumer inertia issues.

## Concluding comments

2degrees appreciates that the Commission is at the beginning of a journey to improve consumer outcomes. As the company that made calling affordable and stimulated the mobile competition we have today, we welcome changes that help customers understand their service and switch to the best provider.

We caution, however, against unintended consequences for competition if the enhancements mobile operators have planned – based on insights into the benefits customers value - are impacted by prescribed changes with unproven consumer benefit.

Along with our competitors, we are investing heavily in our networks and 5G. As the Commission itself has acknowledged, New Zealand mobile users are benefitting from competition.

As we look back on a year in which our services have been more relevant than ever, and to a future where high speed mobile connectivity will play a key part in our economic recovery, 2degrees asks that the Commission consider the wider impacts of any intervention in an industry that is already delivering to consumers and has substantial investments for consumers planned.

Yours sincerely



Mark Aue

**Chief Executive**

[\[Annex A: The 2degrees mobile app – transparency in action\]](#)

[\[Annex B: 2degrees' Happy Anniversary email\]](#)