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Improving Retail Service Quality: Product Disclosure

Q3 Update and Response to Submissions

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Associated documents

Publication date	Reference	Title
9 December 2021	978-1-869459-63-5	Commerce Commission: Improving Retail Service Quality Final Baseline Report
7 March 2022	n/a	Open letter from the Commerce Commission, Improving Retail Service Quality for Consumers – 2022 Update
12 October 2022	978-1-99-101238-8	Commerce Commission: Improving Retail Service Quality: Product Disclosure – Emerging Views Paper
20 December 2022	n/a	Submissions on the Emerging Views Paper
1 February 2023	n/a	Open letter from the Commerce Commission, Improving Retail Service Quality for Consumers – 2023 Update

Executive Summary

1. In October 2022 we published our *Improving Retail Service Quality – Product Disclosure Emerging Views Paper*.¹ In that paper we proposed six measures for improving the ability of consumers to compare products, plans, providers, and coverage:
 - 1.1 Specifying the average monthly price of a service;
 - 1.2 Specifying the total costs of the contract for a service;
 - 1.3 Disclosing the pricing for each service in a bundle;
 - 1.4 Providing plan summaries for all services in a standardised way;
 - 1.5 Calculating customer numbers in a standardised way; and
 - 1.6 Calculating and presenting mobile coverage in a standardised way.
2. We also undertook a consumer survey to help us further understand consumer demand and collect public views on the matters we raised in our emerging views paper.
3. We received extensive feedback from consumers and industry – including 17 written submissions on the emerging views paper and over 1,000 responses to a consumer survey. This demonstrates the usefulness of emerging views papers and consumer surveys as vehicles for engaging with stakeholders and testing our thinking on issues at an early stage of the regulatory process.
4. Overall, responses from consumers confirmed the need for improvement in most areas, while industry highlighted the risk of any change – particularly the potential for increasing costs and complexity and reducing incentives to innovate on product and price.
5. Our task is to identify a pragmatic way forward that delivers on the statutory requirement to improve RSQ for consumers, while also balancing the costs and benefits of any change for all stakeholders.
6. Having considered the submissions received, we continue to see a need for change, but across a narrower range of issues and on a more targeted basis than originally proposed in our emerging views paper. We have decided to:
 - 6.1 remove customer numbers from this workstream;
 - 6.2 refocus mobile coverage information requirements;
 - 6.3 target the primary problems being experienced by consumers in the remaining four areas of product disclosure;

¹ Commerce Commission Emerging Views Paper https://comcom.govt.nz/_data/assets/pdf_file/0035/294659/Improving-retail-service-quality-Product-Disclosure-Emerging-Views-paper-12-October-2022.pdf.

- 6.4 identify solutions to these problems based on existing industry processes and procedures as far as possible; and
 - 6.5 conduct further consumer research to help shape the final form of our proposals.
7. We consider that this more targeted approach will deliver the improvement demanded by consumers, while also minimising the cost, complexity, and innovation risk identified by industry.
8. In the first instance, and consistent with prior practice, we propose to issue guidelines to the industry setting out the measures that we would expect to see implemented to improve outcomes for consumers.
9. We will monitor the impact of our initiatives to ensure that they are delivering on our statutory objectives.
10. We expect these measures will be implemented rapidly by service providers, both individually and collectively through the TCF. In the event this does not happen, we will consider making these requirements mandatory, through creation of a Commission RSQ code.

Introduction

11. On 12 October 2022 we published our *Improving Retail Service Quality – Product Disclosure Emerging Views Paper*.
12. In that paper we proposed six measures for improving the ability of consumers to compare products, plans, providers, and coverage, and sought submissions from stakeholders on our proposals.
13. We also undertook a consumer survey to help us further understand consumer demand and collect public views on the matters we raised in our emerging views paper.
14. We received extensive feedback from consumers and industry. Feedback included 17 written submissions on the emerging views paper and over 1,000 responses to the consumer survey.
15. This document sets out the following:
 - 15.1 An outline of our next steps for product disclosure – this includes how we intend to move forward with the six areas of work outlined in the emerging views paper. These aim to balance the consumer feedback we have received as part of research conducted over the last two years, with formal submissions received.
 - 15.2 Appendix 1 – Consumer Survey Analysis – sets out the approach and results of the consumer research undertaken late 2022.
 - 15.3 Appendix 2 – Summary of Response to Submissions for Product Disclosure – sets out our response to the submissions we received in response to our emerging views paper, including the general themes and specific feedback we received during the formal submission process.

Next steps for Product Disclosure

Comparing customer numbers

16. In the emerging views paper, we noted our concern that service providers are calculating customer numbers in different ways, reducing the ability of consumers to compare providers to the extent that customer numbers are seen as an indicator of service quality and success in the market.
17. We also noted that this lack of comparability flowed through into regulatory reporting, where customer numbers are relevant to the calculation of metrics such as the number of complaints per 10,000 connections.
18. We therefore suggested that Retail Service Providers (**RSPs**) adopt the International Telecommunications Union's (**ITU's**) standardised approach for calculating customer numbers to be used in all public facing documents which referred to customer quantity.²
19. However, results from our consumer survey and industry submissions show that the size of a company does not materially influence consumer choice and was less of a priority compared to other areas surveyed.
20. Accordingly, in the absence of demonstrable consumer demand, we will not be progressing our proposal to standardise the approach to calculating customer numbers through the RSQ work programme.
21. However, because consistent reporting of customer numbers is still relevant for regulatory purposes, we intend to include the ITU's standardised approach to the calculation of customer numbers in next year's Annual Monitoring Report.

Comparing mobile coverage

22. In the emerging views paper we suggested that RSPs should be required to make several changes to how coverage maps are prepared and presented to consumers.
23. These suggestions included adopting a standardised methodology for calculating coverage, using consistent terminology to describe coverage levels, and establishing a centralised coverage map that would include data from all Mobile Network Operators (**MNOs**).³
24. These suggestions were met with strong support, particularly from consumers in rural areas, who typically have more coverage concerns than urban consumers.
25. However, MNOs highlighted several technical impediments to standardisation, including that coverage maps are estimates of coverage based on proprietary inputs and complex algorithms, and that real-world impacts, such as terrain, vegetation, type of device and the materials used in buildings, cannot be accurately taken account of in the models used to generate coverage maps.

² Emerging Views Paper, para 100.

³ Emerging Views Paper, para 115.

26. MNOs also pointed out that different spectrum bands have different propagation characteristics and that using the same set of technical assumptions across all bands and technologies would result in a less accurate coverage map.
27. MNOs acknowledged, however, that more could be done to standardise the features, functions, and language used in coverage maps between providers to enable more direct comparison.
28. At this stage, we accept the industry view that it would be too complex to move to a standardised methodology or a centralised coverage map in the short term.
29. However, given the importance of coverage to consumers, we consider that there are still several changes MNOs could make to improve the comparability, accessibility, and visibility of coverage maps.
30. Therefore, our next step will be to issue guidelines setting out our expectation that MNOs will work together to:
 - 30.1 standardise the nomenclature and functionality of their coverage maps so that they are more readily comparable; and
 - 30.2 improve the accessibility and visibility of coverage maps on MNOs' websites so that they are more prominent and can be easily accessed by consumers as part of the sales process.
31. We also note that our consumer research shows the importance consumers place on coverage when considering a mobile service provider and that coverage issues also remain a key driver of mobile churn.
32. We therefore consider that MNOs should be more accountable for the coverage representations they make. Representations must meet the minimum requirements under the Fair Trading Act 1986: that is, they should not be misleading or false. In line with the Consumer Guarantees Act 1993, all consumers should be able to exit a service without penalty where their actual coverage is materially different from what is represented in advertising or on coverage maps. We note that some RSPs already offer a version of this.
33. Our guidelines will reiterate the requirement that mobile operators implement an exit right for consumers with a material coverage issue. This would operate in a similar way to the exit right for broadband performance issues set out in our *Broadband Marketing Guidelines* in 2021.⁴
34. We are also considering how a Commission-funded mobile measurement program may provide information on mobile coverage to help inform consumer choice.

⁴ Outcome 3 (g), page 17, https://comcom.govt.nz/_data/assets/pdf_file/0032/269663/Marketing-alternative-telecommunications-services-during-the-transition-away-from-copper-guidelines-8-November-2021.pdf.

Comparing average pricing

35. In the emerging views paper, we suggested introducing a standardised average monthly reference price to be used in all advertising material to enable direct comparison between offers and to ensure that a consumer's perception of value is not skewed by initial discounts or different billing cadences.⁵
36. Consumer feedback confirmed the importance they place on being able to make meaningful comparisons of value when shopping around, and that the proposed average price disclosure would support this outcome.
37. Industry raised concerns that any disclosure requirement should not increase the offer's complexity or diminish incentives to innovate on product and price, as consumers value being able to choose offers with different approaches to billing which might suit their circumstances. Industry also pointed out that additional disclosures may cause consumer confusion if not presented clearly.
38. We agree with industry that many consumers value the diversity of term and pricing structures that are available in the market. However, it is equally clear that this level of diversity can also result in confusion for consumers, meaning that there is value in improving their ability to compare price through standardised, simple to compare information that does not require them to manipulate data to make a like-for-like comparison.⁶
39. Having regard to submissions we consider that consumer interests and industry concerns can be balanced by targeting the primary problem consumers have in relation to upfront price comparisons.
40. Price comparison is challenging for consumers when the advertised price is different from the average monthly price the consumer ends up paying or where the this is unclear on the face of the advertisement.⁷
 - 40.1 Where broadband is advertised for \$80 per month, and this is what the consumer ends up paying every month, then there is no issue from a price comparison perspective.
 - 40.2 However, where services are advertised at rates for periods other than a month, the position is different. In these cases, the advertised prices may appear lower than the average monthly price the consumer ends up paying, which could end up surprising some consumers. For example:
 - 40.2.1 Broadband advertised for \$2.70 per day may appear lower than the \$82 per month the consumer ends up paying over the course of a year; and

⁵ Emerging Views Paper, para 32.

⁶ We note that, based on OECD analysis, 52.2% of New Zealanders attain Level 2 or below in numerical literacy and therefore consider that there is a need to make it as straightforward as possible for consumers to compare prices. OECD Programme for the International Assessment of Adult Competencies (PIAAC) Survey of Adult Skills 2015.

⁷ The predominant practice in telecommunications is for monthly billing with prices presented on a monthly basis and, based on our evidence to date, this is the common reference point for consumers. Advertised includes prices displayed on promotional material or in retail channel including online.

- 40.2.2 Mobile advertised for \$28 for 28 days may appear lower than the \$30 per month the consumer ends up paying over the course of a year.
 - 40.2.3 In both cases, consumers are left to calculate the average monthly cost themselves, and prices are not readily comparable until this has been done.
- 40.3 Similarly, where upfront discounts of different kinds are offered, the average price the consumer ends up paying is not immediately clear. Consumers could be surprised by the actual costs underlying these discounts. For example:
 - 40.3.1 Mobile advertised for “half price for three months and then \$60 per month on a 12-month term” highlights the discount but consumers are left to calculate that the average monthly cost is \$52.50; and
 - 40.3.2 Broadband advertised for “first six months free and then \$100 per month on a 24-month term” also highlights the discount but consumers are again left to calculate that the average monthly cost is \$75.
 - 40.3.3 Again, in both cases, consumers are left to calculate the average monthly cost themselves, and prices are not readily comparable until this has been done.
- 41. We therefore propose to target the requirement to provide customers with an average monthly price at scenarios such as these where the headline price does not match an average monthly price. This will mean that:
 - 41.1 The average monthly price would only need to be published where offers are advertised with a different billing cadence (e.g., per fortnight), or the price is represented on a different time scale (e.g., per day), or a discount is applied which results in the average monthly price being different from the headline price.
 - 41.2 In situations where the headline price of an offer is the same as its average monthly price, no further disclosure would be required, as these offers are already directly comparable.
- 42. This approach enables RSPs to offer any combination of billing product structures, as they will only be required to include an average monthly price where this is not otherwise clear in their advertising.
- 43. We consider that this approach should be relatively simple to implement as it requires a straightforward mathematical calculation to be performed before an advertisement is published and should not unduly increase the burden of information for consumers.
- 44. However, before finalising our proposed way forward, we will undertake further consumer research to confirm:
 - 44.1 the best approach to calculating the average monthly price;

- 44.2 the most useful point in the sales journey to present the average price; and
- 44.3 how to ensure the information is presented in a way that is helpful and clear.
- 45. This further consumer research should mitigate the risk of creating confusion for consumers and ensure consumer demand is appropriately met.
- 46. Once this has been completed, we will issue guidelines to the industry setting out our expectations in relation to average monthly price disclosure in advertising.

Comparing total costs

- 47. In the emerging views paper we proposed requiring the standardised disclosure of all cost elements in a plan and the calculation of a plan's total minimum cost to ensure consumers make informed purchases.⁸
- 48. We received significant consumer support for this proposal, with feedback specifically mentioning the bundling of components with different contract terms, and early termination fees, as particular areas of concern.
- 49. Industry submissions highlighted that our proposal did not factor in non-standard installation fees and usage-based charges when calculating the total cost of an offer.
- 50. We agree with industry that the total minimum cost summary will have the most value if it references only known charges, so to clarify our intention, we confirm that any further work will focus on an offer's total minimum known costs. Unknown variables, such as non-standard installation fees and variable usage charges, will not be included in the calculation.
- 51. Many RSPs provide a summary of costs at check-out for online and in store purchases. To this extent, many RSPs are already disclosing total costs in some form, albeit with a degree of variability across RSPs in the cost elements they disclose.
- 52. We see scope for improving transparency for consumers by building on RSPs' existing baseline of cost disclosure at check-out by standardising:
 - 52.1 The cost elements that need to be disclosed; and
 - 52.2 How the costs are calculated (where relevant).
- 53. This would minimise the cost of any change for RSPs while also ensuring that consumers receive cost summaries that are more transparent and comparable.
- 54. The issue of Early Termination Fees (**ETF**) was shown to be a concern for both consumers and industry with many submitters suggesting that this should appear alongside the total minimum cost so that consumers are fully informed of their obligations and so that there are no "surprises" later.
- 55. We consider that appropriate disclosure of ETFs will also help address the uncertainty that can arise when a service with a shorter contract term (such as a mobile service) is purchased at the same time as equipment (such as a mobile

⁸ Emerging Views Paper, para 45.

handset) with a longer contract term and a consumer wants to exit one or both contracts.

56. Our next step will be to complete further targeted consumer research to confirm the best way of implementing the Total Minimum Cost concept, including how it (and any ETF information) should be calculated and presented, to ensure it is useful and does not lead to customer confusion or information overload.
57. Following that work, we propose to issue guidelines to the industry setting out our expectations regarding the total minimum cost summary information RSPs should provide customers at check out.

Comparing plan inclusions

58. In the emerging views paper we proposed that RSPs should produce and provide consumers with standardised offer summaries to enable more direct comparison of offers between different providers.
59. Standardised offer summaries, sometimes called Critical Information Summaries (CIS), or offer sheets, are used widely in other jurisdictions for both broadband and mobile services.
60. Industry submissions highlighted that many RSPs provide offer summaries to consumers and that the TCF's *Broadband Product Disclosure Code* provides a template for RSPs to use for broadband summaries.^{9 10}
61. However, consumers told us that different approaches taken by RSPs to offer summaries, particularly in the format and language used to describe offer components, resulted in confusion. Consumers noted the absence of offer summaries for mobile services. Consumers also expressed demand for increased consistency in the disclosure of ETFs.
62. We therefore remain of the view that a more standardised approach to producing and providing offer summaries would improve outcomes for consumers. Evidence from Australia shows that over three quarters of those who had seen a CIS found it useful and we would expect improved summaries to be similarly beneficial for New Zealand consumers.¹¹
63. As many RSPs already use offer summaries, we consider that building on this approach is the most useful way of increasing consumer benefits in the short term without being unduly onerous to implement for industry.
64. As a next step, we therefore propose to issue guidelines to the industry setting out our expectation that in its forthcoming review of the *Product Disclosure Code* the TCF will:

⁹ TCF Broadband Product Disclosure Code: <https://www.tcf.org.nz/industry/standards-compliance/customer-experience/broadband-product-disclosure/tcf-broadband-product-disclosure-code.pdf>.

¹⁰ TCF Broadband Product Disclosure Offer Summary: <https://www.tcf.org.nz/industry/standards-compliance/customer-experience/broadband-product-disclosure/consumer-offer-summary.pdf>.

- 64.1 Align the existing provisions of the Code, including the templates that are used to produce summaries of offers for consumers, with best practice requirements, including the current Australian approach;
- 64.2 Expand offer summary requirements to include mobile services either by extending the current TCF code to include mobile or by creating a separate product disclosure code for mobile services; and
- 64.3 Ensure that RSPs make offer summaries available to consumers who want to use them in a consistent way on their websites and at the same stage of the sales journey.

Comparing Bundle Pricing

65. In the emerging views paper we proposed that RSPs show the unbundled price of any service alongside the bundled price to highlight the true discount being offered to consumers.
66. Consumer feedback noted concerns with a lack of transparency in bundles, with the bundling of energy and broadband services emerging as a key concern. Although many consumers value the convenience of a single bill, they expressed concern with some bundling practices, including:
 - 66.1 Broadband discounts concealing higher bundled energy prices – which results in consumers paying more for energy than they could obtain from the same provider separately and which can result in consumers paying more overall, despite the discount;
 - 66.2 Bundling energy and broadband services together with different contract periods – which has the effect of “locking in” a consumer for the longer period and limiting freedom to move to a competing service without penalty, given the need to take both services to get the discount under the bundle or to maintain one service to keep the other (i.e., must keep power to keep broadband);
 - 66.3 Failure to provide a retail price indication for products (such as fridges, washing machines and vacuum cleaners) included in bundles – which impedes the consumer’s ability to attribute value to bundles and can result in “bill shock” if consumers terminate early and providers seek to recover the cost of the product; and
 - 66.4 Inconsistent approaches to the inclusion of GST in prices – which creates the misleading impression that a service (quoted exclusive of GST) is cheaper than it actually is when consumers are accustomed to comparing prices on a GST-inclusive basis.
67. Industry submissions noted that there can be a high administrative overhead in maintaining offer tables that accurately reference third-party retail prices when they have no control over those third-party prices and may not be immediately aware of changes.

68. Industry also noted that many providers who bundle services do so with appropriate levels of disclosure. Examples include the bundling of mobile and streaming services by telecommunications providers where there is a well-established convention of specifying the standard retail price for the streaming service as a reference point for consumers.
69. As such, we consider that focusing our response on improving the bundling of energy and broadband services would best meet consumer demand, and that we can be more targeted in our approach.
70. We therefore intend to issue guidelines which will outline our expectations when displaying these bundles. These will include that:
 - 70.1 If electricity or gas is cheaper outside a bundle, with the same provider, then this should be disclosed prominently upfront to the consumer;¹²
 - 70.2 Energy and broadband services should be contracted for the same period of time as far as possible so that providers do not foreclose consumer choice and competition in the market;
 - 70.3 Providers should note the recommended retail price for any product included in a bundle, so that consumers are able to attribute an appropriate value to the bundle; and
 - 70.4 All pricing should be displayed inclusive of GST.

¹² Consumers should be shown the bundled price compared with the cheapest unbundled price available so that they can determine whether (depending on their usage) they will benefit from the broadband discount or would be better off buying energy and broadband services separately (whether from the same provider or a competitor).

Appendix 1 – Consumer Survey Analysis

1. This section aims to highlight the approach and results from consumer research undertaken in late 2022. This research was undertaken to gain an indication of the level of support for the measures we proposed in the emerging views paper.

Methodology

2. The survey was open from October to December 2022. It was promoted via social media posts on Facebook, LinkedIn, and Twitter.
3. Participants scored their answers on a 5-point scale (1 = Not Helpful and 5 = Very Helpful). The survey included a free text box after each question to allow respondents to provide comments.
4. A total of 1,006 people took part in the survey. From these responses, we received a total of 3,006 written comments to questions in the survey.

Limitations

5. The results of this survey are not fully representative of the general population as it only engaged with people who utilise the social media platforms mentioned above. However, we consider that the sample size provides us with useful insights into the views and behaviours of consumers.

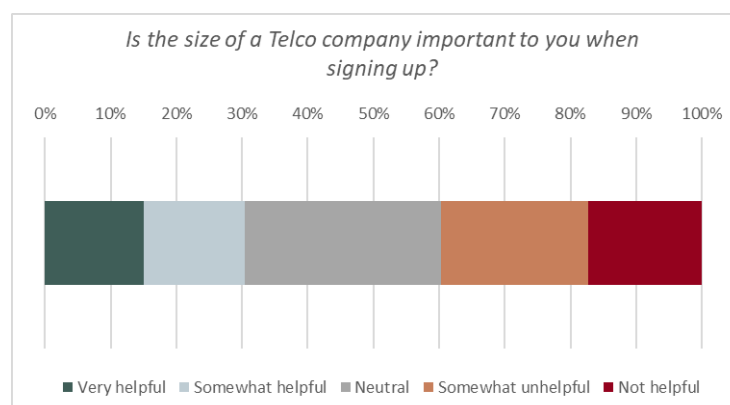
Survey Results

Customer Numbers

6. We asked respondents the following question:

Some people think a larger company is more reliable, while others prefer to seek out the small guys in the hope of getting a sharper price. But telcos often use different ways to calculate how many customers they have. We think all telcos should calculate and disclose how many customers they have in the same way. Is the size of a Telco company important to you when signing up?

Total Responses	Average Score (1=not helpful, 5=very helpful)	Total Comments	Comment Sentiment
772	2.9	480	19% positive



7. Relative to other factors such as customer service and offer pricing, respondents felt that the size of a RSP was less important than other factors when choosing their provider. A requirement for RSPs to disclose their customer numbers was supported by only 30% (n=235) of respondents.

“Being able to get things fixed when something goes wrong is more important to me than the number of customers”.
“I’m more concerned with reputation and pricing, size has no bearing on my decision process”.

8. Some respondents noted that other customer-related metrics would be more useful information.

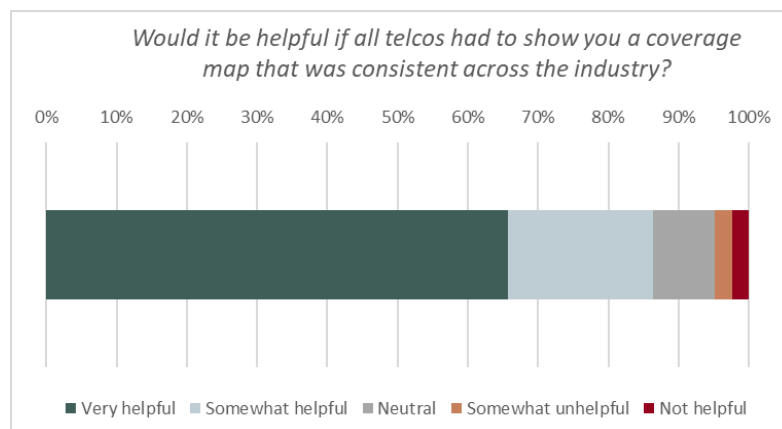
“The amount of customers is far less important than their retention rate and service performance”.
“More useful would be info on customer retention - or even having an annual independent survey and showing their relative ranking”.
“Perhaps size and customer survey ratings and average time to respond to a call might be a good comparison”.

Mobile Coverage

9. We asked respondents the following question:

All telcos have coverage maps which show, on a map, where they have mobile coverage. It can be difficult to make head or tail of them because they often have different colours and different descriptions. For example, one telco’s “fair” coverage could be the same as another’s “good” coverage. We think all telcos should publish a standard coverage map that is the same across all telcos. Would it be helpful if all telcos had to show you a coverage map that was consistent across the industry?

Total Responses	Average Score (1=not helpful, 5=very helpful)	Total Comments	Comment Sentiment
760	4.4	465	81% positive



10. A requirement for RSPs to present a coverage map consistent across providers was supported by 86% (n=656) of respondents.
11. Respondents were generally supportive of access to improved coverage information that is consistent across providers. A common view was that existing coverage maps, though useful as a guide, can be overly optimistic or lack the required accuracy.
12. Many of the comments supporting this were rural/suburban consumers who deal with weak or non-existent coverage.

"Most coverage maps are optimistic and can't be trusted".

"It would be useful but equally my experience with existing maps are they need to be taken with a grain of salt. For example my residential address is shown by my current telco as being in their best quality coverage area yet personal experience is that coverage is spotty a feeling shared by others in the neighbourhood".

"Coverage maps are confusing anything that makes them easier to understand would be a good thing".

"It should be the same as a standard, having it different is misleading".

"For me personally this isn't an issue. But like the template I think standardising all information including coverage maps is important, so people can make an informed decision".

13. Of those who thought that this initiative would be 'somewhat unhelpful' or 'not helpful' (n=37), some recognised there would be technological challenges in developing accurate coverage maps.

"Coverage is a fickle beast, SO many factors at play, pretty impossible to do, over all for our hilly country they are doing a great job".

"Mapping tools, due to computational power limits as well as poor elevation and foliage data available for NZ, means map calculations typically use a single spot within a block up to several hundred metres wide to show coverage for that block. There can be hills and knolls within that block as well as poor elevation data available and unknown tree heights so more accurate maps are impossible to create".

"Actual sampling of mobile signal strength over entire country is costly and variations due to temporary factors (weather, number of active users in area) can be significant".

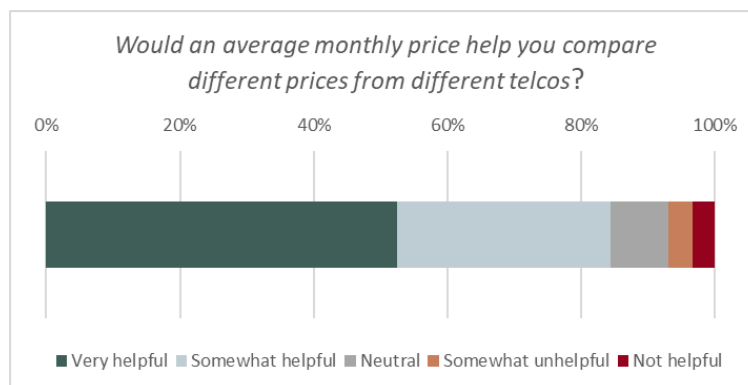
"Poor coverage in my home is the main reason I would change telco. You really don't know until you try it, and if you can buy a sim card for \$5, it's easier to try it out before you commit. I wouldn't rely on a map because it's quite possible that a large building in the wrong place could diminish coverage in a relatively small area that wouldn't show up on a map".

Average Pricing

14. We asked respondents the following question:

“It can be hard to compare telco plans when they have different billing cycles or discounts. In the supermarket things like meat have a \$/kg price to help you compare different types. We think telcos should show you a standard average monthly price as part of their advertising. Would an average monthly price help you compare different prices from different telcos?”

Total Responses	Average Score (1=not helpful, 5=very helpful)	Total Comments	Comment Sentiment
855	4.3	607	81% positive



15. Respondents were strongly of the view that this proposal would aid in comparing offers, with 84% (n=722) considering it to be helpful. The general themes that emerged in consumers’ comments include:

15.1 Current pricing practices are confusing and comparing providers can be challenging as a result. The variability of offers between RSPs was seen to add a layer of complexity when making price comparisons. Standardised pricing was viewed as a good way to help simplify the process.

15.2 Standardised pricing would assist in comparing plans on different billing cycles.

15.3 A standardised pricing tool would enable pricing comparisons to be made on a like-for-like basis. A common refrain was that existing pricing practises do not easily allow for ‘apples with apples’ pricing comparisons.

“Telcos set up their plans in the most confusing way possible, making it almost impossible to know exactly what the real costs are. Requiring transparency would be a start towards helping people make the best choices”.

“All mobile providers plans seem confusing especially in trying to compare between providers for options and price choice”.

“The telco pricing structures are complex. Being able to compare different plans easily would help determine best value”.

"I always use the \$/kg in supermarket - compare apples with apples".
"Plans are complicated - having also bought a mobile in Australia in the past, their standard disclosures are really helpful and also make it easy for comparison websites".
"I am only just now aware that I pay 13 times a year".

16. Of those who thought that this initiative would be 'somewhat unhelpful' or 'unhelpful' (n=60), several suggested that different time periods would be more useful. Average weekly price or average annual price were suggested alternatives.
17. Others in this category considered that average price isn't a particularly useful indicator given different plans include different offerings, and a more useful measure would be price per unit (e.g., \$/GB).
18. A few respondents also noted that standardised pricing could be misleading where cost is directly related to usage, as some people have some higher usage months and some lower. Similarly, some consumers may be heavy users of features that are not included in average monthly cost figures (such as roaming).

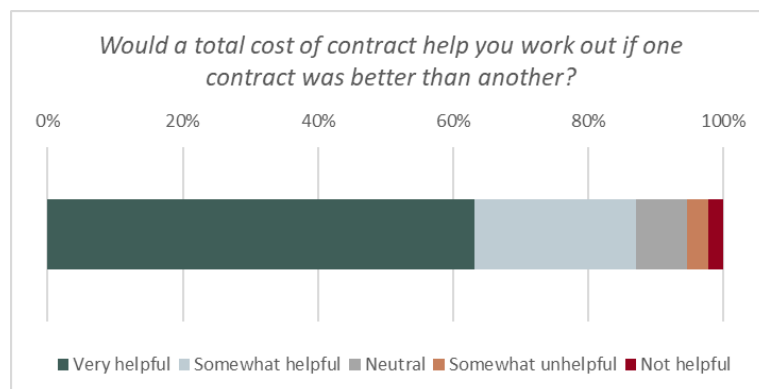
"Weekly price would be better as all weeks are same length so compare better."
"Just an average monthly price isn't enough. It needs to be per unit of data (GB) or minutes for it actually to be tangible. For example, "average monthly data price is \$4/GB.""
"It would be more helpful to see a total plan price over the term. i.e. what is the total cost of the plan over 12 months, after discounts and credits have been considered."
"Depends what you mean by average. Why not just a total annual cost? I would also depend on what you get in the plan - to be of any use the features would have to be exactly the same which probably doesn't happen in reality".

Total Costs

19. We asked respondents the following question:

"When you sign up for a contract with a telco you might not know exactly how much that contract is going to cost you in total. We think telcos should tell you the total cost you'll pay over the contract period adding all the discounts, upfront costs and monthly payments together. Would a total cost of contract help you work out if one contract was better than another?"

Total Responses	Average Score (1=not helpful, 5=very helpful)	Total Comments	Comment Sentiment
808	4.4	508	84% positive



20. The total cost concept was again strongly supported by respondents, with 87% (n=704) considering it to be helpful. The general themes of comments include:

- 20.1 Support for enabling easier comparison of total costs between RSPs. Many respondents felt existing offer details can be complex, making price comparisons difficult. The total cost concept was seen as a pragmatic initiative that could help simplify the comparison process.
- 20.2 Greater transparency of total costs. Some respondents felt some costs are not clear at the point of sale and these may be deliberately hidden. A requirement to clearly present such costs would provide consumers with a clear understanding of their obligations and enable informed choices. It was also seen by some as a tool that would help with household budgeting.
- 20.3 Alignment with comparable sectors. Several respondents noted that other industries (consumer finance) or jurisdictions (Australia) are required to present total cost over a contracted period, and this should also be required of local RSPs.

“At the moment it’s too complicated to try to work out what is the fairer deal”.
“There should be more transparency to understand the total cost of the contract. Telcos should add a price calculator for the consumer on their website itself”.
“There are so many different offers and bundles it is currently very difficult to compare plans and prices”.
“If banks have to show total interest costs on home loans why shouldn’t Telcos”.

- 21. Of those who thought that this initiative would be ‘somewhat unhelpful’ or ‘unhelpful’ (n=43), some noted that where there are a number of variable costs that cannot be confirmed upfront (such as additional roaming charges), the total cost becomes less useful (or even misleading).
- 22. Others observed that standardised pricing practices do not account for the variability of product components between RSPs, and comparisons are unlikely to be on a like-for-like basis.

“[Need to be able to] compare plans with the same inclusions”.
“How can a telco tell me the total cost I will pay over the contract period? Surely that depends on how often I roam internationally etc”.

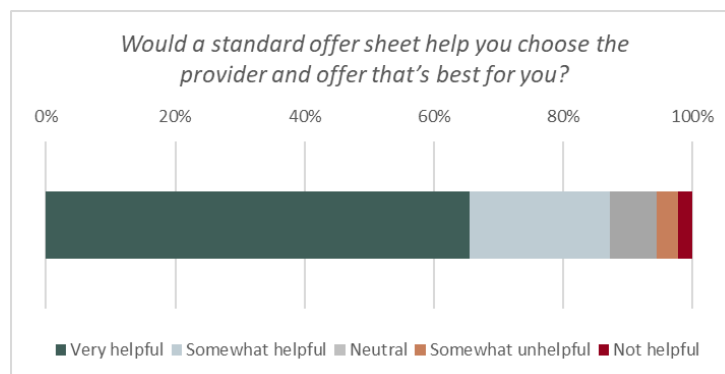
“This only works if there are no other additional costs such as international calls. It can seem overwhelming but could be a better option that [sic] currently”.
“How would that work? there is a flat rate for your plan - which you are aware of, then there are the extras”.

Plan Inclusions

23. We asked respondents the following question:

“There’s a lot telcos offer these days, one might give you a lot of data while another offers free music or streaming TV. We think telcos should give you a one-page offer sheet with everything presented in a standard way so you can easily compare it with another provider’s offer on a line-by-line basis. Would a standard offer sheet help you choose the provider and offer that’s best for you?”

Total Responses	Average Score (1=not helpful, 5=very helpful)	Total Comments	Comment Sentiment
788	4.4	472	83% positive



24. A requirement for RSPs to provide an offer sheet was supported by 87% (n=687) of respondents. The general theme of comments was that:

24.1 Respondents felt standardising the presentation of plan information would ultimately make it easier for consumers to make direct comparisons between the various plans and services that RSPs offer.

“A standard template that summarised all offerings would be fantastic. That would enable direct comparisons.”
“Comparing “apples with apples” would remove so much decision stress, time in comparison, and confusion. A standard list of what is included should be compulsory.”
“I had multiple notes when comparing prices and it was difficult obtaining the relevant information. One place information would be awesome.”

25. Of those who thought that this initiative would be ‘somewhat unhelpful’ or ‘unhelpful’ (n=46), some acknowledged the complexities that may arise in presenting standardised offer sheets.
26. There was also recognition by a few respondents that a requirement to present information in a prescribed format could negatively impact an RSPs ability to innovate.

“Modern plans are often very complex with many optional or unique aspects - it would appear difficult to condense all the complexity down to a unified format without limiting telcos’ ability to innovate or come up with unique offerings”.

“Promotions are changed very often and also sometimes personalised. I feel this would be hard to manage”.

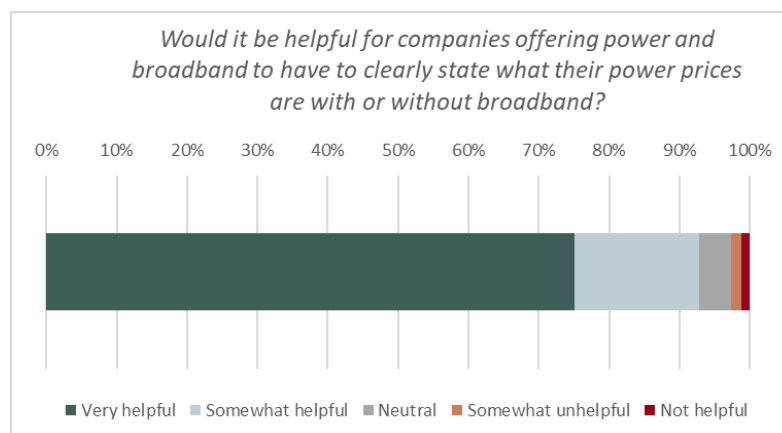
“Agree to a point but sometimes a law requiring companies to have a standard formula for presenting prices makes it hard for companies to be innovative in their marketing. [...] I don’t think there is really a simple way of simplifying all that on a single page so that plans can be compared without curtailing what kinds of marketing gimmicks they’re allowed to do”.

Bundled Pricing

27. We asked respondents the following question:

“There are some deals that look good if you take broadband and electricity from a power company. But sometimes that great deal on broadband means you end up paying a different rate for power than you usually would. Would it be helpful for companies offering power and broadband to have to clearly state what their power prices are with or without broadband?”

Total Responses	Average Score (1=not helpful, 5=very helpful)	Total Comments	Comment Sentiment
778	4.6	474	81% positive



28. A requirement for RSPs to clearly state what their power prices are with or without broadband was supported by 93% (n=722) of respondents. This was the highest level of support amongst the areas surveyed. The general themes of comments include:

28.1 Frustration at the complexity bundled plans introduce when trying to compare offers.

28.2 Upfront costs weren't always clear in bundled deals, which could potentially lead to consumers unknowingly being worse off.

28.3 Scepticism of the value of bundles, with the view that cheaper elements in a bundle often come at the expense of higher prices for other elements.

"What a nightmare - tried to do this for me - gave up. Power plans alone are too confusing let alone trying to compare combined plans".

"Too many variables in deals make it very hard to compare which is best suited so often finding the best deal sits in the "too hard" basket".

"I've checked out a few of these that looked good bit [sic] honestly when worked out I'd have been worse off".

"They should be up front with their prices. The consumer shouldn't have to navigate a minefield to get the best deal".

"Bundling offers hides individual costs and may not save money. Clarity has more integrity".

"Clear, easy to understand, upfront communication would make it so much easier for me compare costs across providers. Currently it's overwhelmingly confusing to the point I feel the providers are deliberately doing it!"

"This would definitely be helpful in comparing other competitors".

29. Of those who provided comments on why they considered that this initiative would be 'somewhat unhelpful' or 'not helpful' (n=15), most were not interested in bundled deals or couldn't access part of the bundle.

"I don't do bundles, I assume they are always advantaging the telco".

"Not on grid so n/a".

"Can't access the premium deals out in the rural communities".

Appendix 2 – Summary of our response to submissions for Product Disclosure

1. This appendix details some of the general themes and specific feedback we received during the formal submission process, particularly where these comments are not included in the update section of this paper. Most of the formal submissions came from consumer groups, industry participants, and industry groups and were published on our website.¹³

Recurring themes from submissions

Support

2. Overall, we received high levels of support for the aims expressed in the emerging views paper. This support came from all sectors, with strong consumer and consumer group support, and overall support from industry groups and industry participants.
3. Comments from consumers and consumer groups centred on a reduction in the use of jargon, an increase in the transparency of pricing, and greater consistency of product disclosure between RSPs.

Mobile and Prepay

4. Some submissions stated that mobile in general, and prepay in particular, should be out of scope for some of the actions we proposed in the emerging views paper. Those submissions stated that:
 - 4.1 there is already a wide degree of transparency in the prepay market;
 - 4.2 prepay customers can easily change plan as there is no contract term; and
 - 4.3 the existing high level of competition in the prepay market is delivering benefits for consumers.
5. In considering these comments, we observe that other jurisdictions do not make exclusions for prepay or mobile in similar situations, and that our consumer research shows strong demand for improvement, particularly in the areas mentioned in paragraph 3.
6. Research conducted for our Annual Monitoring Report (**AMR**) shows that the majority of prepay consumers purchase plans (77% per 21/22 AMR) rather than being billed as you go. This percentage has increased year-on-year.
7. We consider that on balance there is sound justification for the inclusion of mobile in general and prepay in particular.

Unintended consequences

8. Some submitters considered our proposals could stifle innovation as RSPs would have less freedom and flexibility when creating their offers.

¹³ <https://comcom.govt.nz/regulated-industries/telecommunications/projects/retail-service-quality?target=documents&root=302479>

9. Others commented that the additional information RSPs would be required to disclose would risk creating further confusion for consumers.
10. Balanced against this opinion was the strong view from consumers and consumer groups that there is too much confusion surrounding the way different offers are presented in the market. In its submission, Consumer NZ stated that only 51% of broadband and 58% of mobile consumers think that it is easy to compare plans. This message was echoed by similar comments made by consumers in our own research.¹⁴
11. Given that some of our key aims for this work are to improve clarity and reduce confusion, the risk of unintended consequences will be a key consideration as we navigate a pathway forward. We intend to pursue targeted research, including with minorities and vulnerable consumers, to mitigate this risk.

Lack of demand

12. Some feedback from submitters stated that they saw a lack of evidence of consumer demand.
13. The views that we expressed in our emerging views paper were formed as a result of Part 7 of the Act, which specifically includes product disclosure as an aspect of retail service quality requiring improvement, and the Improving Retail Service Quality Final Baseline Report, which summarised a significant quantity of research, providing a strong understanding of consumer demand.¹⁵
14. Appendix 1 details the results of the more recent consumer survey that also shows significant consumer demand for the areas identified in the Emerging Views Paper.

Customer Numbers

15. There was general support for our proposal in the submissions. TUANZ, for instance, said that adopting the ITU definition would enable meaningful international comparisons to be made.¹⁶ Chorus and 2 Degrees also felt that a standardised mechanism to report on customer numbers using international standards is helpful.^{17 18}
16. As we described in our [Next steps for Product Disclosure](#) section, consumer choice was not significantly influenced by the size of a company, and so this area will not be progressed in our RSQ program.

Mobile Coverage

17. Several submitters noted the technical limitations of coverage maps, and how providers are required to make technical assumptions regarding signal propagation when creating such maps.

¹⁴ Consumer NZ submission, section 2.

¹⁵ Final Baseline Report https://comcom.govt.nz/_data/assets/pdf_file/0023/272930/Improving-Retail-Service-Quality-Final-Baseline-Report-9-December-2021.pdf

¹⁶ TUANZ submission, para 26.

¹⁷ Chorus submission, para 13.

¹⁸ 2 Degrees submission, section 6.

18. Several submitters expressed strong support for making improvements in this area. TUANZ highlighted the importance rural users place on coverage, where there are typically fewer options for high-speed connectivity.¹⁹
19. Spark agreed that “it would be useful to have consistent coverage maps between providers so consumers can make informed purchasing decisions”.²⁰
20. These submissions have resulted in the changes that we have mentioned in the Comparing mobile coverage update.

Comparing average pricing

21. Submitters expressed a preference for us to use a Commission RSQ code to give effect to our proposal, rather than other options, such as an industry code or guidelines. Spark stated that “[i]t’s important therefore that the new rules apply to all providers who offer services to consumers in New Zealand to ensure a level playing field”, and Vodafone (now One NZ) added that a Commission RSQ code would reduce the risk of asymmetric regulation.^{21,22}
22. A Commission RSQ code would be mandatory for all RSPs and may be an appropriate subsequent response to some of the work areas if the guidelines we are proposing do not meet the outcomes consumers are demanding.
23. Some industry submitters stated that the average price construct is not necessary as it is clear to consumers in the plan name or descriptions. Contact’s submission states: “We support standardised unit pricing, but we consider that this information does not need to be repeated if it is obvious in the description of the plan itself.”²³
24. Some submitters viewed our proposal as an attempt to regulate the billing cycles of plans. Spark submitted that customers “like the certainty of a payment cycle based on weeks rather than months as it fits their salary cycle and helps their budgeting”.²⁴
25. The average price construct is designed to enable direct comparison between offers that have different commercial constructs, rather than to encourage RSPs to homogenise their offers. Our research showed that many consumers did not understand how different billing cycles and temporary benefits (such as sign-on credits) can impact the longer-term value of an offer, and so were less likely to choose the best plan for their needs.
26. We proposed a 24-month average timeframe to be used when calculating the average price. Whilst the 24-month timeframe was met with general support from both consumers and industry, some submitters advocated for either longer or shorter durations. Consumer NZ noted that over 80% of customers stay with their

¹⁹ TUANZ submission, para 30.

²⁰ Spark submission, para 69.

²¹ Spark submission, para 18.

²² Vodafone Submission, para 3 (c).

²³ Contact Submission, page 4, answer to Q1.

²⁴ Spark Submission, para 33.

provider for more than two years, and suggested that the timeframe we use be longer, whereas 2 Degrees stated a preference for a shorter timeframe.^{25,26}

27. As discussed in paragraph 45, we intend to progress these options through targeted consumer research to ensure that our suggestion is designed appropriately.

Comparing total costs

28. Many submitters, including those from UDL, Chorus, and NZ Compare, expressed concern that details around an offer's Early Termination Fee (**ETF**) are not being disclosed clearly enough to consumers when they sign up.^{27,28,29}
29. The disclosure of ETFs was also raised by consumers. We consider this is an area for more research to identify how ETFs can be disclosed most helpfully. How we progress on the matter of ETFs will be guided by the results of this research, which will also include vulnerable consumers and minority groups.
30. Some submitters pointed out that our proposal did not factor in the matter of non-standard installation fees and usage-based charges in calculating the total cost of an offer. This was also highlighted during our consumer research. Spark stated that retailers will not be able to advise consumers at the point of sale what the scope of any such charges will be and whether they might apply.³⁰
31. We agree with industry that the total minimum cost summary will have the most value if it references only known charges. To clarify our intention, we confirm that any further work will focus on an offer's total minimum costs. Unknown variables, such as non-standard installation fees and variable usage charges, will not be included in the calculation.

Comparing plan inclusions

32. Some RSPs choose to maintain a simpler portfolio of offers and considered that additional disclosure requirements risk adding complication and confusion. Contact's submission stated that "a degree of pragmatism needs to be applied to ensure that extra detail is only required where necessary to better inform customers."³¹
33. Some submitters, including Mercury, stated that as mobile and broadband offers tend to have different characteristics, an approach that has separate codes for mobile may be the most appropriate.³²
34. In addressing these points, we note clear consumer demand for increased clarity and consistency between RSPs when describing their offers. This includes the use of standardised, consistent templates and terminology, as well as the use of plain

²⁵ Consumer NZ submission. Section 3, answer to Q2.

²⁶ 2Degrees submission, page 4.

²⁷ UDL submission, answer to Q9.

²⁸ Chorus submission, answer to Q9 (c) and (d).

²⁹ NZ Compare submission, answer to Q5.

³⁰ Spark submission, para 42 (c).

³¹ Contact submission, page 4, answer to Q8-12.

³² Mercury submission, answer to Q8.

English. We expect that if two separate codes are created as a result of our proposed guidelines, they will share a large amount in common to achieve this aim.

Comparing bundled pricing

35. Some submissions raised some of the difficulties when bundling with electricity. For instance, Mercury's submission states that the cost of electricity varies regionally, which introduces complexity into a comparison regime.³³
36. Spark's submission noted the administrative overhead involved to maintain many separate offer tables and to ensure that third party prices are stated accurately.³⁴
37. As discussed in paragraphs 65-70, we are deciding to focus on the primary area of consumer demand, being the bundling of energy with telecommunications services. Consumer feedback and related media commentary identified a range of concerns with bundling in this area that need to be addressed to reflect the demands of consumers.

³³ Mercury submission, answer to Q15.

³⁴ Spark submission, para 60.