



Improving Retail Service Quality For Consumers

Spark Submission

Public Version

Commerce Commission

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Telecommunications Is A Highly Dynamic, Competitive Market Which Generally Provides Great Outcomes For Consumers

1. New Zealand consumers have access to a world leading range of networks, products, and services. Our telecommunications market is characterised by a diverse range of options available to consumers, offered by a diverse range of different retail providers. Products and services use a range of different technologies across fixed and mobile networks, and are provided using multiple different wholesale models.
2. A quick search of the retail market will find an array of voice and data products available over multiple fixed and mobile networks at a range of different prices and designed to suit different use cases.
3. Product innovation goes beyond the 'core' telecoms services of voice, text messaging and broadband to include elements such as on demand content services (Netflix, Neon etc), free and discounted devices (smart devices, home security products, televisions and appliances etc) and discounted bundles including services from other industries (electricity, gas etc).
4. But telecommunications are high touch, complex, technology-based services. Our customers interact with our services numerous times a day as they check their phones, use their home internet connection, make fixed and mobile calls and send messages. And as they use and experience these services, the boundaries between what we offer as a service, and what the customer considers to be part of the service, can blur. While we may provide a high-speed internet connection to a home, factors such as in home wifi coverage, home wiring and devices used by the customer can dramatically influence their experience of our service despite them being mostly outside of our control.
5. And as fast as providers' and customers' understanding of services develops, telecommunications services and technologies are evolving even faster. It is useful to consider how the services taken by end users have changed over the last ten years. Increasingly customers are taking unlimited data plans and using more fixed and mobile data than ever before. Fibre connections of 1Gbps and above are now commonplace, as are connected wearable devices such as smartwatches. Meanwhile wireless broadband products have made cost effective, easy to install, broadband available as an alternative to a wide range of consumers, many of whom did not have broadband options available to them before.
6. The sheer quantity and volume of change in our industry means there absolutely are areas where improvement in customer communications, experiences, and processes, is necessary. And we believe the industry is ready to have those conversations with the Commission. But we hope they will be had within the context of the customer outcomes we are delivering in mind. We are proud of what our industry delivers to customers, and we want any co-regulatory scheme to be implemented in a way that best protects the innovation, diversity, and competition we see today in retail telecommunications markets.

7. Our sector has intense competition (as the Commerce Commission consistently finds in its markets studies and annual market monitoring reporting), very high innovation rates, as well as a sector-specific regulatory access framework that makes our retail markets the most highly-regulated in New Zealand. In particular:
- New Zealand’s mobile telecommunications sector is ranked 3rd best in the world in the GSMA’s mobile connectivity index and has been in the top 3 since 2014. This index ranks countries across four categories: infrastructure, affordability, consumer readiness, and content and services. ¹
 - New Zealanders can choose from a range of broadband access technologies including fibre, fixed wireless, cable and copper.
 - There are three competing mobile networks, each with nationwide coverage, and we are at the forefront of mobile network technology deployments including wireless broadband and 5G.
 - Overall investment in the telecommunications industry was \$1.7billion in 2019.
 - The Commerce Commission noted in its 2019 annual report that smaller retailers continue to grow their share of broadband connections and now make up 11% of the market, with the rest of the market spread between 5 competing RSPs²
 - Over 1.36 million mobiles and 1.27 million fixed line numbers have been ported as customers change retail provider³.
8. A range of wholesale models exist in the telecommunications sector which further encourage competition:
- There are three competing mobile infrastructure operators who retail their voice and wireless broadband services directly and through mobile virtual operators
 - Chorus and the three LFCs offer fibre access services on an equivalent basis. These services are sold by numerous retail providers offering high speed voice and broadband services at up to gigabit speeds.
9. It is clear that telecommunications consumers have considerable choice over services and technology solutions as well as the retailer they buy them from.
10. Both the Commerce Commission and the Telecommunications Carried Forum (TCF) have developed an extensive range of industry Codes and processes to facilitate switching between retailers. These include fixed and mobile number portability so customers can keep their phone number when changing provider, and various

¹ <https://www.mobileconnectivityindex.com/#year=2019&zonelsocode=NZL>

² https://comcom.govt.nz/__data/assets/pdf_file/0021/212763/2019-Annual-Telecommunications-Monitoring-Report-Revised-version-12-March-2020.pdf

³ <https://www.tcf.org.nz/industry/numbering/number-portability/statistics/#mobile-number-porting-statistics>

transfer codes which allow consumers to seamlessly migrate between service providers.

11. As a result there are very high levels of switching in our sector. For example, around 13% of on account mobile customers have changed provider each year on average over the last three years⁴. This compares to around 8% in the electricity sector⁵.
12. Every week, the industry handles almost 10,000 porting events, requiring changes to network routing for 12 different networks and updated records and call handling for more than 30 providers; all ensuring that the vast majority of users can use their new service with their old number within a matter of hours.⁶



13. The telecommunications industry has done significant work in helping customers understand their usage and purchasing options: Spark makes usage information

⁴ <https://comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/annual-telecommunications-market-monitoring-report>

⁵ EA reporting of switching trends for residential customers switching traders. The EA also reports changes of provider to a premises, i.e. where a customer may move house and take their provider with them. This is more equivalent to a “change address” for the telecommunications sector.

⁶ <https://www.tcf.org.nz/industry/numbering/number-portability/statistics/>

available to its customers through its app and MySpark customer account pages, showing breakdown of usage by month. We continue to develop this functionality to make it more user friendly.

14. Similarly the industry has provided information about its broadband products in a standardised form since 2014. The TCF's Broadband Product Disclosure Code lists the information which RSPs need to include in an 'Offer Summary' for each product. Spark applies the TCF Code to all of its broadband products irrespective of whether they are offered over copper, fibre or fixed wireless technology.
15. But we acknowledge that the high levels of competition (which drive high levels of differentiation and bundling of products and services) and high rates of innovation (which drive continuous refreshing of plans and plan constructs) can make it difficult for some consumers to select the right plans for them.
16. This is an area we are working hard on already, and one the Commerce Commission has already identified as a near-term priority for its work programme via a Consumer Data Right. We think there are some quick wins in this area which industry can implement to help consumers understand their usage and compare plans, while MBIE develops its legislative solution for a multi-sector CDR framework. Once this legislation is clear we can consider whether further development is required in the telecommunications sector and what that might look like in the context of the new framework.
17. Retail service quality remains a concern in a number of areas, but any analysis of the issue should be considered in the context of a constantly changing product landscape where substantial benefits have flowed through to consumers over the last decade.
18. There is always a balance to be struck with regulation – intervening too hard or in the wrong way can stifle innovation and depress competition, ultimately leading to a less dynamic market place.
19. The challenge therefore is to find a way to address the underlying concerns in a way which provides benefits to customers, while maintaining the long term benefits to end-users of competition and innovation. In other words, wherever possible, regulation should work with the market to achieve its policy objectives. This is likely to be the most efficient way to create enduring solutions.

There Are Natural Incentives On Retailers To Improve Customer Experience

20. Telecommunications companies are incentivised to provide good service to their customers. As noted above, customers can (and do) easily change retail provider, and unhappy customers are more likely to look to churn. As a retailer we take this threat seriously and have a number of initiatives under way to improve retail service quality.

21. In addition to our own activities, we work through the TCF to develop industry Codes and Standards to address issues common across the industry. The TCF particularly focusses on the consumer outcomes when developing Codes and puts emphasis on understanding the customer journey to develop user friendly solutions which are consistent across the industry.
22. Many of these Codes are related to process issues which span multiple operators and need a consistent industry approach. Examples include the various customer transfer codes, fixed and mobile portability and the fibre installation code.
23. A number of TCF Codes address specific consumer issues which have benefited from a consistent approach between retailers. These include the Broadband Product Disclosure Code, the customer complaints and dispute resolution code, the disconnection code, the international mobile roaming code and the emergency services. Many of these Codes formalise the role and responsibilities of wholesale providers (eg the fibre access providers) as their services underpin many of the retailer's services.
24. TCF Codes also address consumer protection and safety. These include scam call prevention, IMEI mobile handset blocking and the process for sharing information on scam text messages.
25. TCF Codes are reviewed on a regular basis and are updated in response to how they are working in practice from a consumer's perspective.
26. The UFB Product Forum also plays a key role in ensuring fibre products and processes are developed appropriately, with retail providers in particularly considering the implications of changes for our customers. This is important as a number of issues faced by customers flow directly from our wholesale providers.
27. For example, practical issues related to fibre installation can be due to the action of a fibre provider's technicians which are outside the control of the retailer. Other examples include the number of outages and the time taken to repair faults. Outages of B2B systems can have a wide ranging impact on our ability to provision and manage services. This is increasingly the case as many of our processes are automated through our supply chain to improve the customer journey.
28. Industry is currently working through the contractual framework that Chorus (and the LFCs) are proposing from January 2022, the implications this will have for the UFB Product Forum, and relationship to Part 6 regulation.
29. One area of concern for the new regulatory regime is the ongoing ability for retailers to influence new fibre products, services and process changes through the UFB Product Forum. We consider that the Commerce Commission should have an oversight role built into the new contracts. At the very least, we think there is value in Commerce Commission attending the UFB Product Forum as an observer.
30. One aspect which we consider important is transparency and information about the performance of the wholesale inputs provided by fibre companies. Regular quality

reporting is important to help us understand how these inputs influence our customer's experience, and to see how trends vary over time. We would like to see this transparency form part of the Commission's price/quality regime for Chorus and the LFCs.

Industry And The Commerce Commission Should Work Together To Identify And Prioritise Areas Which Need Improvement.

31. Spark has invested significant in its infrastructure assets over many years. We have 1,500 mobile sites, 35 major network sites, 18 data centre, 1,200 km of national fibre backhaul network, a satellite station, ownership in 3 sub-sea cables, and metro and regional data networks (fibre and wireless).
32. As noted in our recent half year results, our aim is to drive greater capital efficiency, increased resilience, and better experiences for customers. Customer experience is one of our key focus areas and we are aiming to make an 8 point lift in iNPS for consumer and small business by 30 June 2021.⁷
33. Customer experience is a focus of our three year strategy as announced in September 2020⁸:
 - Spark CEO Jolie Hodson said the Company will focus on a core set of organisational capabilities that will differentiate Spark and provide better experiences for its customers – fuelling growth in both established and future markets.
 - "At its heart, this strategy is about accelerating the things we know will give us a competitive edge because they respond to the trends that are shaping our market and the evolving needs of our customers.
 - "Customers are looking for 'uber-like' digital experiences and will move to the brands that make their lives easier, so we will accelerate our focus on delivering simple, intuitive customer experiences that 'just work'.
 - "To do this we need to continue to simplify Spark, but we also need to deeply understand our customers and show up in a way that is timely and relevant – and we will achieve this through a more sophisticated use of data, artificial intelligence and machine learning.
34. Spark is continually looking for ways to provide improved service for our customers. We provide a list of some recent activities in the appendix to this document. These cover a broad range of areas including unifying and upskilling our support staff to provide better resolution for customer complaints, improving customer journeys and providing tools so customers can manage their own services, providing information and support to customers to help keep them safe online, and providing support and products for customers who have particular hardships.

⁷ <https://investors.sparknz.co.nz>

⁸ <https://www.sparknz.co.nz/news/spark-three-year-strategy/>

35. In our drive for simple, intuitive customer experiences we have retired over 100 legacy plans in the last 6 months. We've also seen an 18% year on year reduction in total customer care interactions driven by improving digital self-service.
36. We fully accept that despite our efforts, there are still areas where retail service quality can be further improved. We have done a considerable amount of work in this area already and have a number of ongoing projects which aim to improve things further for our customers. However we are keen to work with the Commission to understand its priority areas and, if necessary, refocus our activities.
37. Our starting assumption is that it is better for industry to work with the Commission to find enduring solutions to issues than for solutions to be mandated on us. As noted earlier, the risk of mandated solutions is that they can have a distortionary effect and act against many of the benefits brought by competition. We therefore support solutions which work with the market, rather than against, where this is possible.
38. A good example of industry working together was the recent SamKnows FibreMax investigation. The Commerce Commission identified an issue (SamKnows was reporting widespread, unexpectedly poor performance on FibreMax fibre connections) and industry worked with SamKnows to identify the underlying causes. A number of issues were identified, with a number of different causes, and most of these were addressed as they were identified, or temporary work-arounds found.
39. This was a great example of the Commerce Commission guiding a workstream with a clear policy concern, and industry working together with external experts to deliver a solution. Ultimately this benefitted consumers who will see higher and more accurate speeds reported via SamKnows for these products.
40. The first step in working together is for industry to be able to clearly understand the Commission's areas of concern and we can then work together to identify priority areas. The nature of our industry is that we will never be totally free from consumer challenges, so it makes sense to target work at areas where the Commission considers there to be the most risk to consumers.
41. It is important however, to ensure that the Commission's views on priority areas are based on robust, independent consumer research. We are concerned that the Commission's approach to gathering information on consumer pain points could potentially be skewed by the way the information has been requested.
42. For example, in its open letter to stakeholder groups on the 29th October 2020, the Commission provided a submission template for consumers which contained a number of questions which we suspect will have influenced responses in favour of those issues. While we understand why the Commission has wanted to help consumer understand the types of issues which are in scope, an unprompted survey is more robust methodology to identify and prioritise issues.
43. Likewise, the nature of a survey on consumer pain points is that consumers are much more likely to respond in response to poor performance than they are about positive

or neutral experiences they have had. Consumer responses need to be considered in this context otherwise the view of industry performance will be highly skewed.

Regulation Should Be Reserved For Areas Where Regulatory Intervention Is The Only Option Or Reserved For Outliers

44. We are keen therefore to discuss the Commission's preliminary view on consumer priority areas to understand the level of concern, and also to share any activities that are already underway in these areas. We can then look at areas which need further work and propose bilateral and industry-wide solution where these would be appropriate.
45. Formal regulatory intervention should be a backstop reserved for when industry has failed to respond to a specific pain point identified by the Commerce Commission within a reasonable time frame after the issue has been articulated. If intervention is needed it should be the minimum required to address the issue identified, with full analysis of the impact of the intervention on consumers (including any negative impact on competition). It might be that the intervention needs to be targeted at specific companies who fail to address concerns bilaterally.
46. Formal interventions, like Commerce Commission Codes, were designed in legislation to be regulatory backstops after industry has been given a chance to address an issue itself. We have various initiatives underway which already benefit customers, but if the Commission believes there are other issues we should be prioritising, we should work together to review the list and look at our own priorities in that context.
47. Ultimately, we have a shared objective – happy customers who enjoy the benefits of great products and services from a range of competitive providers.

Next Steps - A Clear Process To Identify Priority Areas And Begin Work

48. It is important to be clear on the next steps for the Commission's work. We suspect the Commission will have gained a broad list of issues via anecdotal feedback from consumers. It will be important to work through this list with industry to understand, group and prioritise the issues raised.
49. We think it would be valuable for the Commission to share its list with industry prior to a workshop for providers where we can have an open discussion on each issue in turn. The workshop should be able to identify some quick wins, and which issues will be more complex to resolve. We can also discuss evidence for the scale of specific issues and the impact they have on consumers.
50. An industry workshop will be a good forum to discuss solutions, but there are likely to be issues which are more relevant to some providers than others. Retailers have very different products and services, customer processes and systems which mean

some issues may be more or less applicable to them, and what is easy for one provider to solve may be considerably more complex for another.

51. We therefore suggest the Commission consolidates the workshop output into a provisional priority list and allows time for a broad range of stakeholders to review the list and provide their own bilateral feedback based on their own investigation of the issue. The Commission can then create an action plan and timeline based on stakeholder feedback.
52. We suspect many of the issue identified can be addressed at an industry level – issues caused by mismatched processes or issues common across all providers are likely to be good targets for TCF Codes and guidelines. Industry should be given an opportunity to address these issues itself through the TCF before the Commission can consider whether it should create its own Code.
53. This approach of working with industry to prioritise the list of issues (using multi-lateral discussions and bilateral feedback), and then providing guidance to the industry on the final priority list so they can work to create a TCF code (or take other steps to address the issue) is consistent with sections 234 - 236 of the Telecommunications Act 2001.
54. It is important to spend time at the beginning of the process to properly review and understand the issues raised. It is also important to give industry a reasonable opportunity to take steps to address issues itself first rather than jumping straight to regulation. Commerce Commission Codes should remain a backstop option if improvements do not eventuate. This was the approach intended in the Act, and we believe will result in better outcomes for consumers.

Appendix 1 Recent Spark Activities Related To Retail Service Quality:

- We are implementing a new way of working called **Unified Frontline** that can provide a consistent customer experience across all ways that we interact with our customers. We have transformed our traditional consumer channels from specialised Retail, Contact Centre, and In-Home channels to blended teams made of up these different skills within local home bases.

Our frontline people are being skilled in multiple touchpoints so customers can get their issue solved by one person. Our unified frontline aims to give a consistent customer experience and also gives us the ability to move people on to queues that might be experiencing an influx in calls. This is also great for our staff as they can upskill in other areas and have great freedom to explore different ways of working and supporting our customers.

- We have a **'special ops'** customer service team who manage the most challenging issues raised by customers. We run weekly sessions with channels to do a deep dive on 'No Fault Found' events to identify areas where we can improve training, knowledge base content and tools for our channels.
- We have a dedicated customer service team that speaks **Chinese and Korean** which we think is unique across the industry. Chinese speaking customers can connect with our Chinese and Korean language team on 0800 168 168. Customers can also chat with us in Chinese on WeChat or Korean on KakaoTalk.
- **Skinny Jump** is available to a wide range of people who find that cost is a barrier to having a broadband connection at home – including families with school aged children, job seekers, senior citizens, refugees, new migrants, people with disabilities and people living in social housing. With Skinny Jump, eligible kiwi homes can get 30GB of broadband for just \$5 along with a free modem and has no contracts or credit checks. Skinny Jump service is available through a community partner network, which is overseen by Digital Inclusion Alliance Aotearoa (DIAA) and includes 130 contact points nationwide spanning community libraries and budgeting services, amongst others.
- In response to the **COVID-19 pandemic** Spark helped its customers stay connected as they transitioned to new ways of working, learning and connecting, and accelerated its existing initiative to bridge the digital divide. To ensure Spark customers were not disconnected, for a period of time we:
 - Removed overage charges for customers who were on data-capped broadband plans and were therefore at risk of losing access if they went over their existing data limits. This applied to both small and medium business and consumer customers.
 - When a Spark customer experienced hardship because of COVID-19, Spark waived late fees and did not terminate service if they got in touch to discuss their individual circumstances and available options. This applied to both small and medium business and consumer customers.

- By registering for **Connection Promise**, customers can select up to four Spark mobiles to receive the Connection Promise. If their home broadband goes down, they can use the Spark mobile app or MySpark online to perform a check on their connection status. If the issue can't be resolved immediately, the fault will be reported and their Connection Promise activated. Their registered mobiles will automatically receive the free data and free national calling. Connection Promise may also be activated automatically where we proactively identify an outage or fault.
- In our drive for simple, **intuitive customer experiences** we have retired over 100 legacy plans in the last 6 months. We've also seen an 18% year on year reduction in total customer care interactions driven by improving digital self-service.
 - We use verbatims from Customer surveys to track trends and identify opportunities to improve customer journeys.
 - We have improved customer journeys, notifications across a number of areas to give customers a better and more consistent experience. Many of these improvements are supported by automation and tighter integration with B2B interfaces.
 - We have increased customer self-service options.
 - We are looking to automate the playing of disclosure information to customers as part of the sales journey to ensure this is delivered to customers in a consistent way.
 - We are looking are ways to simplify our products with less complex rules and conditions.
- Spark has recently redesigned and launched its **mobile app**. Customers can use the Spark app to manage their account. When they sign in or register, they can see their account information, including their data usage, bills and all their Spark products in one place. Using the app, customers can:
 - Check broadband and mobile data usage
 - Check account balance
 - Pay a bill using a credit/debit card or direct debit
 - See past bills and enquire about bills and charges
 - Top up and buy extras
 - Manage mobile plans and accounts
 - Search for the nearest store or WiFi zone
 - Check if there are any outages in the area
 - Message us for help and support
 - See the latest news from Spark
- Skinny has won a raft of **awards for great customer service** including the Canstar Blue Most Satisfied Customers Award 2015-2018 in the Prepaid Mobile category, the same award in 2018 in the Broadband category, and the Consumer NZ

People's Choice Award 2016-2018. Skinny was a Silver Winner in the Reader's Digest Quality Service Award announced in November 2020 based on an independent survey of New Zealanders' opinions of a range of service providers.

- Spark, including Skinny and Bigpipe received the least amount of complaints to **TDRS** per 10k customers from January to June for both mobile and broadband.
- We have taken a number of steps to minimise the impact of **scams** on our customers and encourage **online safety**. This has included educating consumers via printed brochures to retirement homes, updates in our customer e-newsletters. We have also improved the way we handle consumer reports of scams.
- We recently ran a social media campaign with input from Netsafe and Digital Natives Academy to help prompt parents to have conversations with their kids round **online safety**⁹. Spark makes Net Shield Basic available for free to Spark broadband customers allowing them to block harmful content and search safely.

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⁹ <https://www.sparknz.co.nz/news/spark-creates-online-safety-tool/>