

Via email: market.regulation@comcom.govt.nz

16 March 2023

Improving Retail Service Quality (RSQ): Customer Service

Mercury welcomes the opportunity to provide feedback to the Commerce Commission (Commission) on its consultation paper *Improving Retail Service Quality: Customer Service*, 14 December 2022, (Consultation Paper). No part of this submission is confidential.

The Consultation Paper sets out the Commission's proposed approach for improving customer service. The Commission seeks feedback on its proposals to: (i) monitor and report on the performance of providers in key areas of customer service; and (ii) publish rankings of the performance of providers against one another on the aspects of customer service that matter most to them.

Mercury supports making information available to customers about the level of customer service where it will enhance the overall level of competition and ultimately discipline providers to improve their customer service. As the Commission has previously noted, a competitive market is one in which customers are able to make informed choices.¹ Mercury notes the Commission's intention here is to improve customers' ability to compare providers' customer service at the time they choose a provider. However, simply collecting and making a large amount of data available may make customers' decisions harder and hinder rather than promote competition.

Mercury, therefore, proposes that to mitigate the risk of these unintended outcomes, the Commission should focus on the information that the Commission's own analysis indicates matters most to customers. Mercury's submission highlights that the design and implementation of the Commission's proposed customer service monitoring regime should:²

- Make it easier, not harder, for customers to choose a provider; and
- Promote, and not create a barrier to the process of competition and innovation.

The following submission expands on these two points, with further information provided in the response to the Commission's questions set out in the annex.

Make it easier, not harder, for customers to choose a provider

The Commission's analysis indicates that customers are mostly interested in 2 out of the 19 customer-service metrics listed in Table X1 of the Consultation Report. That is, Figure 5 of the Consultation Report indicates that customers are most interested in the "How quickly issues are resolved" and "How helpful and knowledgeable their staff are with my query/issue" out of a total of 19 metrics. It is therefore unclear whether there is value in collecting and reporting the remaining 17 metrics listed in Table X1.

Mercury also notes that Figure 5 groups 2 metrics under the heading "Not to progress" yet they appear in Table X1 – i.e. *What are the ways I can contact them*; and *How many complaints they receive* – suggesting that the Commission will source this information even though the survey suggests that most customers are not interested in them. Mercury also notes that even though there is a significant overlap in 13 metrics reported in Figure 5 and the

¹ Commission's emerging views paper, *Improving Retail Service Quality: Product Disclosure*, 12 October 2022, paragraph 13.

² These concerns parallel the Mercury's concerns set out in its submission, dated 7 December 2022, in response to the Commission's emerging views paper, *Improving Retail Service Quality: Product Disclosure*, 12 October 2022.

19 metrics reported in Table X1, it is presumed here based on the information provided that customers in general are not interested in those metrics in X1 that are not included in Figure 5.

This raises a question regarding whether the benefits exceed the cost of collecting and reporting the remaining 17 metrics listed in Table X1, particularly if the Commission reports information on the 2 metrics that customers are most interested in. Mercury considers that this is an important question for the Commission to address so that the Commission and the industry does not incur unnecessary costs collecting and providing information that may only have marginal additional benefit or may result in unintended outcomes.

Mercury is particularly concerned that if Commission's proposals are not appropriately targeted, they may make customers' choices more difficult, not easier. Even though some might, it is not clear that customers in general would search through the 19 metrics listed in Table X1 to find those they consider relevant. If the Commission reports the 2 metrics that matter most, then customers struggle to understand the relevance of the remaining 17 metrics proposed by the Commission for their own personal circumstances and preferences, and may either simply ignore them, or they may be confused rather than informed by them.

If customers in general ignore or are confused by the remaining 17 metrics, then the anticipated benefits of the 17 metrics may not eventuate and off-set the cost of collecting and reporting this information. In fact, the Commission's proposal to focus its dashboard, ranking providers, on the 2 metrics in which customers are most interested, supports this point.

Promote the process of competition and innovation

Mercury proposes that customer service information should present a fair and unbiased comparison of customer service levels across providers and over time. It would be detrimental to the process of competition if the customer service monitoring regime introduced a barrier to entry and to innovation.

The statistical limitations of the information sourced from the customer satisfaction survey means that the accuracy of the reported values may depend on the survey sampling methodology and the provider's market share. If the survey sample is simply drawn from the whole customer base, then the greater a provider's market share, the more accurate would be the provider's surveyed customer satisfaction information.

As the Commission notes, this means that it will not report survey results about providers with less than 5% market share as this information would not be statistically significant.³ This may become a barrier to entry for market entrants if consumers view the non-reporting of certain providers, particularly entrants, as an indication of whether or not the provider's customer service is sound and competent. Mercury considers that simply stating the analytical reason that certain providers are not included in a report is because of the statistical confidence in the survey results will be lost on most customers.

In addition, even though the survey results for a smaller provider, with say 10% market share, may be statistically significant (for the prescribed confidence interval), it is still likely to be a less accurate measure of the smaller providers' customer service compared with a provider with a greater market share.

In this case, therefore, consumers' choices regarding the smaller provider may be influenced by the statistical vagaries of the customer satisfaction survey rather than a providers' actual level of customer service.

Mercury's concern is that this outcome has the potential to hinder innovation and therefore harm competition, which would clearly be an unintended outcome, particularly as the smaller providers and entrants are a key driver of market innovation.

In order to mitigate this risk, and help ensure that the customer service information presents a fair and unbiased comparison of customer service levels across providers and over time, Mercury proposes that the survey:

³ Consultation Paper, paragraph 35.

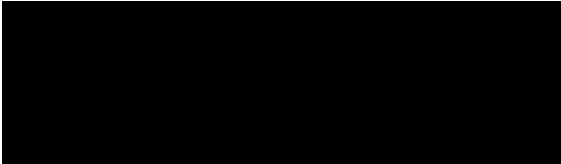


- Focuses on the two metrics that matter most to customers;
- Stratifies the sample with the same number of completed surveys for each provider;
- Includes providers with market share greater than 5% in the broadband market;
- Includes providers with market share greater than 5% in the mobile market;
- Sample size is sufficiently large for maximin margin of error of between 2% to 3%; and
- Include customers who have had an interaction with provider's customer service over the past 3 months;

Mercury also proposes that providers have the opportunity to review the survey questionnaire before it is sent to customers to help ensure that it captures the required data. Mercury considers that appropriately structuring the survey as described above will better promote competition.

Mercury looks forward to engaging with Commission and industry on progressing the development of a customer service monitoring framework.

Yours sincerely,



Antony Srzich
Principle Advisor Regulatory Economics



Annex: Commission's Consultation Paper questions with Mercury's responses

Consultation Paper question	Mercury response
<p>Overall proposed approach to informing consumer choice and improving customer service levels</p>	
<p>1. Do you agree that our proposed approach to monitoring provider customer service levels and publishing a provider ranking dashboard based on key customer service metrics will be beneficial to consumers by helping to inform their choice of provider and will encourage improvements in customer service?</p>	<p>As noted above, Mercury supports making information available to consumers about the level of customer service if it is expected to enhance the overall level of competition and ultimately discipline providers to improve their customer service.</p> <p>Based on the information that the Commission provided, Mercury proposes that the Commission focuses on just those metrics that consumers have indicated matters most to them, and design the sampling methodology to reduce the risk that survey results are biased.</p>
<p>Monitoring providers' customer service performance</p>	
<p>2. Do you agree with the industry-sourced information that we propose to collect from providers, as set out in Table 1? What other information should be included, and why? Should any information be excluded, and why?</p>	<p>The industry-sourced information risks creating a significant regulatory cost that is likely to impact the smaller providers proportionally more than the larger providers, as the cost of providing this information is likely to be similar irrespective of the size of the provider.</p> <p>Furthermore, it is unclear whether customers in general would refer to this technical information, and even if they do how they would interpret it.</p> <p>Taken together, there is risk that requiring smaller providers to report this information may create a barrier for smaller providers to compete.</p> <p>Mercury, in addition, suggests that consideration should be given to the relevance of the monitoring regime following significant events, such as the recent Auckland floods and Cyclone Gabrielle.</p>
<p>3. Do you agree with the proposed calculation methodology for the industry-sourced information based on the metrics set out in Attachment A? If not, why and what do you think is a better way of defining these metrics? How do you believe agreement should be reached on a consistent calculation methodology?</p>	<p>See response to question 2.</p>
<p>4. Can you produce the industry information using the proposed calculation methodology set out in Attachment A without incurring significant costs? If not, why not?</p>	<p>See response to question 2.</p>
<p>5. Do you believe the industry-sourced information based on the metrics in Table 1 should be provided by all mobile and broadband providers? If not, why not? Is there a minimum that we should set as a threshold (in terms of number of customers that a particular provider serves) before including them in those providers that we monitor/report on?</p>	<p>As noted above, Mercury proposes that customer service information should present a fair and unbiased comparison of customer service levels across providers and over time. It would be detrimental to the process of competition if the customer service monitoring regime introduced a barrier to entry and innovation.</p> <p>Mercury is particularly concerned that there is risk that requiring particularly smaller providers to report this information may create a barrier for smaller providers to compete.</p>



Consultation Paper question	Mercury response
6. Can you provide the industry-sourced information on a quarterly basis? If not, why?	Yes, we expect to be able to provide the industry-sourced information on a quarterly basis based on our current understanding of the descriptions provided in the Consultation Paper.
7. Can you provide the industry-sourced information for residential and SME customers separately?	Mercury does not report residential and SME customers separately.
8. What is your preferred approach for the Commission requesting this information from industry? Are there benefits to a voluntary approach versus a statutory information request?	Mercury considers that a statutory information request is the only appropriate approach for collecting this information. It provides protections for the Commission with respect to compliance by providers, as well as providers with respect to the information that is requested and how it would be used.
Publishing provider customer service rankings	
9. Where do you think is the most useful place for providers to publish the dashboard to ensure it is available to consumers (for example, provider homepages, provider mobile and broadband plan webpages, provider brochures and sales collateral and/or provider own branded retail store windows)?	Commission website with link from provider website.
10. We are proposing the dashboard is updated every six months. Do you agree with this frequency? If not, what frequency do you recommend and why?	<p>If the sample is stratified and sufficiently large as proposed in the letter, then Mercury proposes that the dashboard can be updated every six months.</p> <p>Mercury, in addition, suggests that consideration should be given to the relevance of the monitoring regime following significant events, such as the recent Auckland floods and Cyclone Gabrielle.</p>
11. We are proposing that provider rankings are calculated using six-month rolling data. Do you agree with this calculation period? If not, what period do you recommend and why?	See response to question 10.
12. Do you think that consumers should be provided separate customer service ranking dashboards for mobile and broadband services? Or would a combined dashboard, showing a provider's overall rankings be better for consumers, even if this shows providers who offer both mobile and broadband services alongside broadband only providers?	<p>Mercury considers that separate customer service ranking dashboards should be provided for mobile and broadband services.</p> <p>Mobile and broadband rely on different set of inputs that impact on the delivery of customer service.</p>
13. What is your preferred approach for requiring publication of the dashboard by providers, should this be on a voluntary basis, or should the Commission use its RSQ code powers to require this?	Mercury consider that publication of the dashboard should be voluntary.

