

AEMC 2016 RETAIL COMPETITION REVIEW:

UNDERSTANDING VULNERABLE CUSTOMER EXPERIENCES AND NEEDS

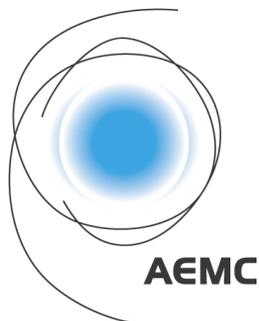
Consumer Research Report
June 2016



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RESEARCH

REPORT PREPARED FOR

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DISCLAIMER

In preparing this report we have presented and interpreted information that we believe to be relevant for completing the agreed task in a professional manner. It is important to understand that we have sought to ensure the accuracy of all the information incorporated into this report.

Where we have made assumptions as a part of interpreting the data in this report, we have sought to make those assumptions clear. Similarly, we have sought to make clear where we are expressing our professional opinion rather than reporting findings. Please ensure that you take these assumptions into account when using this report as the basis for any decision-making.

The qualitative research findings included throughout this report should not be considered statistically representative and cannot be extrapolated to the general population. For the quantitative research results, the base (number and type of respondents asked each question) and the actual survey questions are shown at the bottom of each page. Results may not always total 100% due to rounding. Weighted results are shown throughout the report, unless otherwise specified. The weighting approach is outlined in the methodology.

This project was conducted in accordance with AS: ISO20252:2012 guidelines, to which Newgate Research is accredited. Newgate project reference number: NGR 1509005.

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EXECUTIVE SUMMARY



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EXECUTIVE SUMMARY

INTRODUCTION

This report forms part of the Australian Energy Market Commission's (AEMC's) 2016 annual review of retail competition in the National Energy Market (NEM). It focuses in particular on understanding vulnerable customers, their experiences, and how they could be supported to benefit more from the energy market.

A mixed-method approach was used for this study, incorporating qualitative research with n=53 consumers with various indicators of vulnerability (via in-depth interviews and online community forums), and segmentation analysis of results from the main quantitative survey used for the review, with n=2,333 residential consumers from across the NEM.

MEASURING VULNERABILITY

- ◆ Segmentation analysis was undertaken on the quantitative survey results to understand the broad extent and nature of vulnerability in the energy market, and to in turn help to identify ways to better meet the needs of the most vulnerable consumers.
- ◆ The segmentation technique used in this study was Latent Class Analysis, for its ability to assess complex behaviours and the impact of exposure to patterns of multiple risks. An iterative process was employed, using various measures from the quantitative study to produce the most statistically sound model, including input from the AEMC.
- ◆ The analysis revealed seven segments across a spectrum from the most to the least vulnerable consumers. While the two most vulnerable segments represent one in five consumers (20%), it is worth noting that a number of consumers in *all* segments experience some level of vulnerability due to financial, social and/or emotional stresses. In other words, there are degrees and indicators of vulnerability among all types of consumers.

The segments, from most to least vulnerable, are as follows:

- ◆ **Vulnerable Low Income (12%):** This financially insecure segment is the most vulnerable, and the most familiar with support services.
- ◆ **Vulnerable Middle Income (8%):** Overwhelmed by financial and family commitments and high energy bills, this is the unhappiest segment.
- ◆ **Vulnerable Higher Income (4%):** This young, highly educated, culturally diverse and tech-savvy segment is likely to be experiencing circumstantial or social vulnerability. They are the most actively engaged in the market; most likely to have switched and more satisfied.
- ◆ **Low Income Retired (14%):** With low levels of education, income and tech-savviness, they are the least engaged with the energy market.
- ◆ **Busy Homemakers (20%):** This segment consists largely of busy mums in more traditional households, some of whom are also working part-time, with 'average' financial vulnerability and market engagement.
- ◆ **Secure Retired (12%):** This segment of retirees is more financially secure and reasonably comfortable with navigating the energy market.
- ◆ **Secure Higher Income (30%):** They use more energy and are time-poor, but tech-savvy and relatively comfortable navigating the market.

Of the two most vulnerable segments, those in a Vulnerable Low Income situation tend to be more reliant on the government for income and other support, and thus aware of services available to them. By contrast, those in the Vulnerable Middle Income segment tend to be less familiar with the support services available, making them more 'hidden' vulnerable consumers that require more targeted outreach.

While there is diversity of demographics and circumstances within all segments, consumers with certain characteristics are more likely to be vulnerable. These include being female (especially single mothers), renting, not being in full-time employment, experiencing recent household stress in (e.g. arrival of a baby or a death), living in regional areas, being Indigenous, being a recent immigrant, having special payment arrangements with one's energy provider, and having savings that would last less than three months.

EXECUTIVE SUMMARY *CONT'D*

AWARENESS AND KNOWLEDGE

- ◆ Vulnerable customers try to save energy to minimise their bills, but don't tend to have any real understanding of their energy usage. Our research suggests this doesn't make them any different from other consumers – the difference lies in the fact that they are at greater financial risk than others, and therefore face greater repercussions from not understanding and being able to better manage their usage.
 - ◇ There is a general desire to minimise energy consumption and waste, driven by cost and, to a lesser extent, environmental considerations. However, many felt they were already doing as much as they were able or willing to do in order to minimise their usage.
 - ◇ Common energy-saving measures such as turning off lights and appliances are often used by these customers, but often without an objective understanding of how their usage translates into charges on their energy bills. Indeed, they rarely examine their bills in detail, with many customers struggling to understand even basic terminology on them, including what the different units of measurement and tariffs are.
 - ◇ Many vulnerable customers, faced with tight budgets, try to limit their use of heating and air-conditioning. However, to some extent these are seen as non-negotiable from a comfort perspective (many participants also noted the increasingly hot weather). Energy use and waste by children was also a somewhat impenetrable barrier to minimising energy usage. Many are also unable to afford more efficient appliances. As such, they generally resign themselves to the large bills that result.
- ◆ Vulnerable customers display a degree of market confusion which results in few being confident they are on the best available plan or deal.
 - ◇ While most were aware that they have a choice in energy supplier, the number of providers they could name was relatively low – a direct result of their often limited investigation into their options, but also a reflection of the larger companies advertising more. Others were aware they had restricted options due to their location or tenancy arrangements (e.g. embedded retailer in an apartment building or retirement village).
 - ◇ Limited understanding was observed among vulnerable customers that they could choose from various plan types from individual companies, with a lot of confusion as to what a "plan" even means. Most struggled to identify the plan they were on, even when reviewing their bill. Almost none were aware of the difference between standing and market offers, though we know from previous research this is common among all consumers.
 - ◇ Many vulnerable customers were aware they could arrange more frequent bills, extensions and regular instalments. While some had done so, many prefer not to ask their retailer for such support out of embarrassment and fear of repercussions.
- ◆ Vulnerable customers feel largely neutral towards their retailer, with mixed elements of concern and loyalty.
 - ◇ Most think that retailers are much the same. Differentiation therefore comes down to customer service, with judgements shaped by personal and word-of-mouth experiences. Indeed, good, hassle-free customer service can drive feelings of loyalty towards a retailer. However, customers generally do not engage much with their retailers (and are happy with that), with some deriving satisfaction from simply never having encountered a problem.
 - ◇ Most had concerns regarding the prices they pay and/or the size of their bills, yet felt there wasn't much they could do. Many had either made payment arrangements with retailers or used careful budgeting to reduce the potential for bill shock. A strong and common theme was confusion, to varying degrees, regarding the size of their bills and terminology on their bills.
 - ◇ Quite a few had received poor service, largely relating to call centre operators – most notably a distinct lack of empathy in difficult circumstances, bullying tactics to retain an account, narrow and inflexible service scripts, incorrect or misleading information, or requiring several time-consuming follow-ups before agreed outcomes are actioned.

EXECUTIVE SUMMARY CONT'D

INVESTIGATION & SWITCHING

- ◆ Investigation and switching rates were broadly consistent across all of the segments. For vulnerable customers, fear of making the wrong decision and embarrassment about their personal financial situation were key barriers to investigating their options, and switching.
 - ◇ Most had low levels of interest in energy companies and did little to seek better deals, despite indicating a desire to save money. The wide array of energy options available and the inconsistency in how offers are presented make it a confusing and daunting task.
 - ◇ Some were scared of financial repercussions, such as loss of current benefits, increased debt, and exit or reconnection fees.
 - ◇ Many were embarrassed by the prospect of asking for special payment arrangements and would prefer to avoid repeating the process with a new retailer. Conversely, support from existing providers in offering flexible payment options had engendered a sense of loyalty for some customers. As noted, some were satisfied with their provider because they had experienced no issues.
 - ◇ Many felt they lacked the time and energy to properly engage with the market and find an optimal offer. There was also a common perception that because retailers are pretty much all the same, switching would make little if any worthwhile difference. Many who had looked spoke of finding they were already on the best deal, or that other offers weren't sufficiently different to justify switching.
- ◆ The main reasons for investigating options were wanting a cheaper price, bill shock and a change in personal circumstances.
 - ◇ Most vulnerable customers required a noticeable trigger event to overcome their inertia. These included the shock of receiving an unexpectedly large bill, moving house, repeated poor customer service, direct approaches, reaching the end of a contract, wanting to change billing arrangements, word-of-mouth recommendations, increased prices or (for the few who had solar panels) decreased solar feed-in tariffs.

"I'm too lazy to go and see what's out there... I've looked a couple of times ... We sort of look and it all seems too hard... If I could get better rates, discounts and no hidden extras it would be good. They said those things but sometimes it doesn't end up being better." (In-depth Interview)

- ◆ Direct approaches from energy retailers are a polarising issue, with annoyance at aggressive sales tactics generally outweighing the perceived benefits of this triggering an investigation of options. Most were therefore relieved to have received fewer direct approaches in recent times. However, such approaches had worked for some who would otherwise probably not be prompted to look into their options.
- ◆ Online searches are a common starting point, while word of mouth is also a trusted information source.
 - ◇ Google is often used as a first point of call in searching for a better deal, with common search terms along the lines of "best energy deals" and "energy companies in [location]".
 - ◇ There is some awareness of energy comparison websites, with the commercial sites iSelect and Compare the Market most frequently mentioned. Consumers who use such tools still tend to then source information directly from the retailers by visiting the official website or telephoning them directly.
 - ◇ Awareness of the independent government comparator sites was virtually non-existent, which is common among all consumers.
 - ◇ Word-of-mouth recommendations from family and friends has the potential to sway the final decision, particularly if the consumer is ambivalent about their current retailer.
- ◆ There were mixed experiences with switching. Most spoke of it being an easy process to actually switch once they found a better offer, and it being a decision that they were happy with. One participant was pleased to report that their new retailer offered to pay off their debt with their previous retailer. A few had, however, experienced difficulties switching, with the retailers making mistakes or taking too long.

EXECUTIVE SUMMARY *CONT'D*

SUPPORT SERVICES

- ◆ Vulnerable customers seek independent advice, comparisons and other tools of empowerment to help them better navigate the retail energy market, with the government being the most trusted source.
 - ◇ Many participants suggested, without prompting, that it would be good to have an independent energy deal comparison website. Most envisioned this would be provided by the government, though some mentioned NGOs and consumer affairs groups as potential hosts. A few participants also raised consumer protection safety nets.
 - ◇ Another common desire was wanting help with understanding the confusing myriad of terms and metrics used in the energy sector. Suggestions included self-education tools such as glossaries and webinars (including short YouTube clips), as well as mandated standardisation of terms in the sector.
 - ◇ Other tools and tips suggested were government-provided advice, checklists and how-to guides for saving energy and investigating and switching offers, including negotiating better deals with retailers.
 - ◇ The government was viewed as the most reliable and credible source of independent information about the retail energy market. Other independent bodies, NGOs and current affairs media outlets were also mentioned by some as trusted information sources.
 - ◇ Participants suggested a range of methods for delivering information and support services, including online portals and video tutorials, mass media advertising, brokers, hotlines, local councils, community centres such as libraries, Centrelink, and mandatory information on energy bills. Many felt it would be important to use multiple channels.
- ◆ The government comparison websites elicited widespread delight, with praise for their ease of use and high levels of trust in the results.
 - ◇ Feedback was overwhelmingly positive, with participants praising how easy the sites were to use and understand on the whole.
 - ◇ There was a strong sense among participants that these sites should be widely promoted to raise awareness of them.
- ◆ However, certain terms and input fields still caused uncertainty among many participants (e.g. "controlled load", daily usage, number of rooms – *'in whole the house, or bedrooms?'*), resulting in some guessing and inaccuracy while inputting information.
 - ◇ Most participants welcomed the perceived legitimacy and independence of the government sites, though a few remained cynical and a small minority said they trusted the results from the commercial comparators more.
 - ◇ Some wanted to be able to *retrospectively* compare their most recent bill with the energy market offers in their search results.
- ◆ Popular incentives from retailers that vulnerable consumers felt could entice them to switch included discounts, bill smoothing and other flexible payment arrangements, and no contracts or exit fees.
 - ◇ Price-related incentives were the most popular by far, including competitive rates and pay-on-time discounts, alternative payment arrangements, loyalty incentives and discounts, and the removal of connection and exit fees and contract terms.
 - It is worth noting that some participants viewed pay-on-time discounts with scepticism, noting that they could rarely afford to pay an entire bill on time anyway.
 - Participants wanted payment alternatives to be promoted and clearly explained, easy to access and even offered proactively.
 - ◇ There was solid interest in the idea of retailers offering payment plans and lease arrangements for solar panels and energy-efficient appliances, particularly for renters.
 - ◇ Service-related incentives to provide consumers with a greater sense of control and knowledge also appealed. This included online portals, electronic bills, real-time monitoring apps, easier to understand terms and bills, guides on switching, and joint gas and electricity bills, and associated customer service also bundled.
 - ◇ Retailer reputation was also an important "incentive" to many, with word of mouth recommendations, the safety and comfort of well-known brands, and sustainability and ethics credentials all lending credibility and confidence.

CONCLUSIONS & IMPLICATIONS

- ◆ The results of the segmentation analysis show that all consumers sit on a spectrum that ranges from low to high vulnerability. Some of the most vulnerable customers are not necessarily tapped into existing social welfare frameworks due to their more subtle and sometimes temporary indicators of financial, emotional and/or social stress.
- ◆ Vulnerable consumers in the energy market are those who are experiencing social and/or financial difficulties that mean they are *especially* impacted by energy price increases, worried about the effects of changing their arrangements – if they are even able to. As a result they are susceptible to paying too much, and more likely to have stressful customer service experiences because they can't always pay on time. Retailer responses can in turn exacerbate their difficulties.
- ◆ Importantly, **the most vulnerable consumers experience much of the same things in the energy market as everyone else**. As a consequence, their needs are fundamentally the same:
 - ◇ Having affordable access to reliable and safe energy;
 - ◇ Better understanding their energy use – including what the units of measurement are, what various appliances use, and how much energy can be saved by various changes;
 - ◇ Better understanding how energy prices are determined and what consumers can do to help reduce prices – and thus their bills;
 - ◇ Better understanding the competitive energy market, including why it exists, how consumers can take advantage of it – and ideally some requirement for standardisation of market offer terminology; and
 - ◇ Better forms of customer loyalty recognition from retailers.
- ◆ Vulnerable customers in particular may benefit from requirements that retailers develop **flexible payment arrangements**, promote them, offer them when a customer exhibits behaviours suggesting they would benefit from them – or if they request them, and efficiently implement them once a customer consents / requests it.
- ◆ Customers are looking for these services to be offered readily and without judgement, as strong feelings of embarrassment are a key deterrent for those who fail to reach out for assistance. It would also be useful for retailers to provide such support and leniency as this can engender significant loyalty and even advocacy.
- ◆ **The research suggests that government comparison websites could be far more heavily promoted** to increase awareness and usage – not just among vulnerable customers, but also generally. The websites would also benefit from further usability refinements to address uncertainties, including some of the terminology and inputs.
 - ◇ Promotional efforts could span multiple channels in order to maximise reach, particularly digital media (online portals, websites, consumer forums, social media, etc.), but also print, traditional mass media, targeted direct mail and community-based centres. It would be important to ensure information reaches those who may not have access or skills in using the internet.
- ◆ **Educational tools** would greatly assist consumers in both better managing their energy consumption and feeling more confident in engaging with the market. These could include energy calculators and in-home displays, online portals (such as a consumer version of the Victorian EnergyInfoHub), consumer forums (e.g. Whirlpool), how-to guides, glossaries, seminars, webinars and shareable YouTube clips, tutorials and direct contact via phone or in person.
- ◆ Vulnerable customers would also benefit from **access to subsidies, loans and other financial assistance** to secure more energy-efficient appliances to help them better manage their energy use.
- ◆ Fear of the unknown is one the most significant barriers to consumers looking into their options. While knowledge helps to address this in part, there could also be a role for government to **emphasise the consumer protections and remedies available**, also helping to overcome concerns about new and unknown retailers.
- ◆ Many consumers who had switched provider or plan had found it easier than anticipated. Such **testimonies** could feature in a marketing campaign to help consumers overcome inherent inertia, particularly among those who believe the savings would not be worth their time and effort. Such a campaign could also serve as a prompt to **remind consumers to regularly check** if they are on the best available deal.

INTRODUCTION



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OBJECTIVES

UNDERSTANDING THE EXPERIENCES OF VULNERABLE CUSTOMERS IN THE RETAIL ENERGY MARKET

Newgate Research was commissioned by the Australian Energy Market Commission (AEMC) to undertake consumer research to inform the AEMC's 2016 annual review of retail competition in the National Energy Market – comprising Queensland, New South Wales, the ACT, Victoria, Tasmania and South Australia.

The research sought to measure and track the level of knowledge and engagement with the energy market among residential and small business consumers, building on previous waves conducted by Newgate Research for the 2014 and 2015 reviews. The 2016 research included a quantitative survey and the introduction of new qualitative modules focusing on vulnerable customers and new and emerging technologies. The methodology is shown over the page.

This report focuses on the findings from the vulnerable customer research, combining primarily qualitative insights with supporting evidence from the quantitative survey to illustrate the experiences of vulnerable customers in the energy market, and how they could be better supported to benefit more from the competitive market.

The key objectives were to explore and understand:

- How to define and identify vulnerable customers – key demographic and behavioural indicators;
- The engagement, experiences and outcomes of vulnerable customers in competitive energy markets;
- How experiences and outcomes differ between customers exhibiting varying levels of vulnerability; and
- How vulnerable customers could be better supported to participate more effectively in energy markets.

NOTES TO THE READER

This research was conducted in accordance with the international quality standard for market and social research (ISO 20252).

In preparing this report we have presented and interpreted information from both the quantitative and qualitative research that we believe to be relevant to achieve the objectives of this research project.

Where assumptions are made as a part of interpreting the results or where our professional opinion is expressed rather than merely describing the findings, this is noted. Please ensure that you take these assumptions into account when using this report as the basis for any decision-making.

The full quantitative methodology – including the weights used, the respondent base and the questionnaire – is provided in the companion report, *Consumer Research for 2016 Nationwide Review of Competition in Retail Energy Markets*.

Please note that qualitative findings included throughout this report should not be considered statistically representative and cannot be extrapolated to the general population.

Verbatim quotes from the research are included in the report to further support and provide evidence of the findings.

Please note that percentages on single response questions may not total 100% due to rounding, or if the question was multiple response the total may also exceed 100%. Throughout the report, weighted data is shown.

METHODOLOGY

QUANTITATIVE

- ◆ The target audience of the broader study was a combination of residential and small business consumers across the National Energy Market – all states and territories with the exclusion of the Northern Territory and Western Australia.
- ◆ The sample size for residential consumers (upon which the vulnerable customers segmentation was conducted) was n=2,333, which has a maximum error margin of +/- 2.0% at the 95% confidence level for a 50% result. The table below shows the final sample profile by jurisdiction.
- ◆ Mixed-method fieldwork was conducted by TKW Research Group, using n=546 computer assisted telephone interviewing (CATI) and online surveying of n=1,787 consumers. Fieldwork ran from 18 November to 13 December 2015, with pilots conducted from 18-20 November.
- ◆ To correct for sampling bias, the data set was weighted to reflect population characteristics, using data from the ABS Census 2011 by gender, age and metro/regional splits across each state or territory. Full details of the weights applied are available in the companion report, *Consumer Research for 2016 Nationwide Review of Competition in Retail Energy Markets*.

JURISDICTION	FINAL SAMPLE (n=)	MARGIN OF ERROR
Southeast Queensland	425	4.8%
Rest of Queensland	150	8.0%
New South Wales	480	4.5%
Australian Capital Territory	200	6.9%
Victoria	478	4.5%
Tasmania	200	6.9%
South Australia	400	4.9%
TOTAL	2,333	2.0%

METHODOLOGY

QUALITATIVE

- ◆ A mixed-method qualitative approach of **in-depth interviews and online communities** was used, mainly targeting residential consumers from suburbs across the NEM identified as highly vulnerable on the CoffEE Employment Vulnerability Index (based on ABS Census 2011 data). The study further targeted consumers with various indicators of vulnerability, with the final sample profile for both methods shown below. **In total, 53 people at the more vulnerable end of the spectrum participated in this research.**
- ◆ **In-depth Interviews:** A series of 15 interviews was conducted by four Newgate Research staff between 1 February and 4 March 2016, with 3-4 conducted in each of Melbourne, Shepparton, Sydney and Taree at either the participant's home or Newgate Research's offices. In line with accepted market research practices, all participants received an \$80 incentive for their time.
- ◆ **Online communities:** Two online communities (one with males, one with females) were held with 18-20 participants each, from across the NEM. They ran for three days between 1-3 March 2016, with free-time forums on the first two days and a live chat from 7:30-8:30pm AEDT on the final day. The communities were moderated by four Newgate Research staff and, in line with market research practices, all participants received a baseline incentive of \$80 each plus \$40 for attending the final day, and opportunities for bonus participation incentives.
- ◆ Recruitment was undertaken by Research Connections and Ekas Marketing Research Services using detailed recruitment scripts and screening questionnaires prepared by Newgate Research.
- ◆ A copy of the discussion guides used in the research can be found in the Appendices.

IN-DEPTH INTERVIEWS	FEMALES	MALES	TOTAL
Young independents	1	-	1
Single mothers	2	-	2
Pensioners	2	-	2
Unemployed males	-	1	1
Working poor	1	1	2
New home owners	-	1	1
New parents	-	2	2
Refugee / Migrant	1	-	1
Mid-Income families	2	1	3
TOTAL	9	7	15

ONLINE COMMUNITIES	FEMALES	MALES	TOTAL
Young independents	2	2	4
Single mothers	3	-	3
Pensioners	2	1	3
Unemployed males	-	2	2
Working poor	4	3	7
New home owners	2	2	4
New parents	3	3	6
Refugee / Migrant	1	1	2
Mid-Income families	3	4	7
TOTAL	20	18	38

RESEARCH FINDINGS



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CONSUMER SEGMENTATION



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INTRODUCTION TO THE SEGMENTATION

WHAT IS SEGMENTATION?

In basic terms, segmentation analysis is about dividing a community, market or customer base into groups of individuals that are similar in specific ways, relevant to marketing, communications and other engagement activities.

Segmentation allows organisations to target the resulting groups and more effectively and efficiently allocate resources, while also better meeting the needs of the various groups.

Effective segmentation needs to focus on identifying customer groups in ways that you can work with. This might include:

- ◆ Demographics – e.g. age, gender, location;
- ◆ Personal circumstances – e.g. household composition, family commitments, financial and social stresses; and
- ◆ Attitudes and behaviour – e.g. energy use, investigation and switching of energy offers, adoption of new technologies.

There are three primary challenges in creating a segmentation:

- ◆ Selecting the optimal factors to use in dividing people into groups;
- ◆ Identifying the best statistical algorithms to use; and
- ◆ Presenting the results in a usable manner.

APPROACH USED IN THIS PROJECT

The segmentation used in this study focused on residential energy consumers across the NEM, to better understand the nature and extent of vulnerability in the energy market, and whether different groups of consumers had different experiences, perceptions and preferences in terms of engaging with the market and their needs.

We started the process by designing the survey to include questions to identify people experiencing known indicators of vulnerability and various forms of difficulty. This was informed by Newgate's previous experience and input from consumer advocacy stakeholders via a workshop held with the AEMC.

The segmentation technique was Latent Class Analysis (LCA). LCA is a powerful tool for identifying distinct diagnostic categories given the presence / absence of several characteristics, types of attitudes, and demographic and behavioural factors. LCA is used to better understand the impact of exposure to patterns of *multiple* risks, as well as complex behaviours, so that interventions can be tailored to target the subgroups that will most benefit.

The process was iterative, in that the analysis was run several times and with different sets of questions from the survey included. Each time we looked at the optimal number of segments indicated by the software, and whether collapsing or expanding the number of segments led to a more statistically sound model. We sought to identify solutions that provided a sound understanding of vulnerability in the energy market, and actionability.

The final solutions used the following survey variables, which incorporated a mix of energy market behaviours and attitudes, and personal circumstances:

- ◆ Energy offer investigation and switching behaviour (Q17 x Q20);
- ◆ Level of confidence in choosing the right energy offer (Q48);
- ◆ Home ownership status (D1);
- ◆ Employment status (D10);
- ◆ Percent of people in the household working fulltime (D2 x D10);
- ◆ Difficult circumstances experience in the last 12 months (D24);
- ◆ Characteristics including financial and social stresses (D27), and
- ◆ How long savings would last if household income stopped (D29).

INTRODUCTION TO THE SEGMENTATION *CONT'D*

The analysis produced four optimum solutions, which ranged from five segments to eight segments. We workshopped which of these would be most suitable with key members of the AEMC team, and the preferred segmentation was agreed.

KEY SEGMENTATION OUTCOMES

The segmentation outlined herein shows consumers falling into one of a spectrum of *seven* segments, from the most to the least vulnerable.

This segmentation presents a spectrum of risk, from the highest-risk 'Vulnerable Low Income' and 'Vulnerable Middle Income' (representing 20% of all residential consumers in the NEM), through to the lowest-risk 'Secure Retired' and 'Secure Higher Income'.

It is worth noting that all segments included some consumers who were experiencing financial and other difficulties. This is in line with a major segmentation study the Newgate team conducted for Melbourne's water sector, suggesting that most people have some degree of vulnerability.

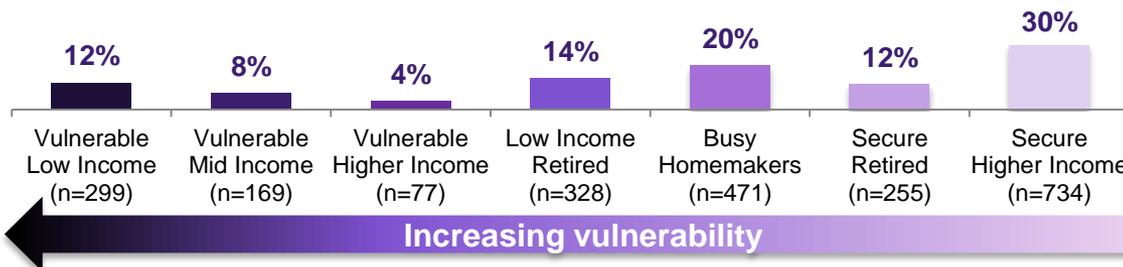
The key characteristics of each segment are summarised in a series of tables on the following pages, with statistically significant differences highlighted in blue (*higher* than the average) or red (*lower* than the average). These tables are followed by one-page summaries for each segment.

The following people emerged as being among the more vulnerable:

- ◆ Females – especially if also a single parent;
- ◆ Renters;
- ◆ Those not currently in full time employment themselves;
- ◆ Households that have experienced significant financial, social and/or emotional stresses in the last year – notably including having a baby and the typically associated reduction of income;
- ◆ Those living in regional areas, away from capital cities;
- ◆ Indigenous Australians;
- ◆ Recent immigrants;
- ◆ Those who have a special payment arrangement with their energy provider due to financial difficulty; and
- ◆ Consequently, whose savings would last them less than three months if their income sources were to stop unexpectedly.

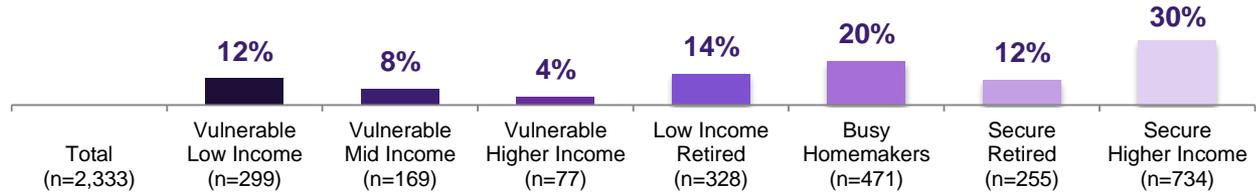
Other important observations from the analysis:

- ◆ While the most vulnerable segment is highly reliant on government services for income and other support, the next most vulnerable segment ('Vulnerable Mid Income') is among the least tapped into government services – and are therefore more 'hidden'.
- ◆ In terms of switching behaviours, there were no significant differences across the segments in investigating and/or switching energy company or plan, apart from the Vulnerable Higher Income segment (more likely to have looked). The Vulnerable Mid and Higher Income segments were, however, the most *interested* in switching.



SEGMENTATION OVERVIEW

KEY DEMOGRAPHICS



		Total (n=2,333)	Vulnerable Low Income (n=299)	Vulnerable Mid Income (n=169)	Vulnerable Higher Income (n=77)	Low Income Retired (n=328)	Busy Homemakers (n=471)	Secure Retired (n=255)	Secure Higher Income (n=734)
Gender	Male	48%	35%	31%	63%	52%	33%	62%	59%
	Female	52%	65%	69%	37%	48%	67%	38%	41%
Age	18 - 34	28%	25%	41%	79%	0%	30%	0%	43%
	35 - 54	33%	45%	50%	18%	3%	43%	4%	45%
	55+	39%	30%	10%	3%	97%	27%	96%	12%
Location	Metro	66%	54%	58%	85%	45%	70%	62%	80%
	Regional	34%	46%	42%	15%	55%	30%	38%	20%
Home Ownership	Own outright	39%	24%	4%	51%	62%	32%	89%	28%
	Paying mortgage	30%	17%	39%	28%	11%	37%	6%	46%
	Renting / boarding	30%	57%	56%	21%	27%	30%	3%	25%
Full Time Employment	Themselves	34%	1%	21%	71%	0%	0%	0%	100%
	1+ in household	61%	25%	85%	100%	10%	69%	17%	100%
Household Income	Low (<\$50k)	34%	72%	27%	18%	76%	22%	41%	7%
	Mid (\$50k -<\$100k)	31%	12%	50%	52%	11%	37%	33%	36%
	High (\$100k+)	23%	3%	13%	25%	1%	24%	15%	45%
How Long Would Your Savings Cover Essential Expenses if Income Stopped? (NB: % Don't know / refused not shown here)	<3 months	30%	60%	79%	25%	34%	17%	3%	22%
	3-6 months	16%	8%	13%	43%	12%	19%	3%	22%
	6-12 months	11%	5%	2%	18%	11%	10%	6%	16%
	12+ months	24%	7%	2%	7%	19%	28%	60%	25%

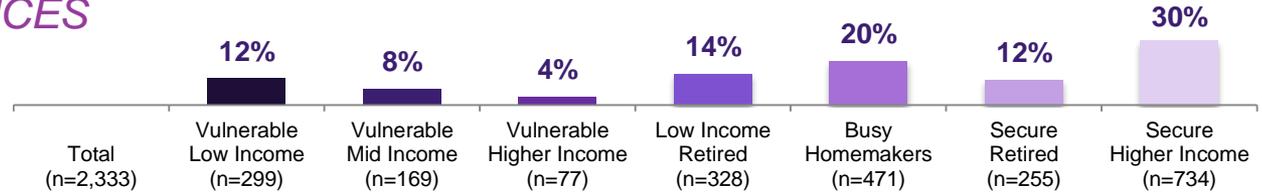
SEGMENTATION OVERVIEW *CONT'D*

VULNERABILITY BY JURISDICTION

	Total (n=2,333)	QLD (n=575)	NSW (n=480)	ACT (n=200)	VIC (n=478)	TAS (n=200)	SA (n=400)	Capital Cities (n=1,542)	Regional (n=791)
Vulnerable Low Income (n=299)	12%	13%	12%	5%	12%	11%	17%	10%	17%
Vulnerable Mid Income (n=169)	8%	8%	9%	4%	7%	4%	5%	7%	9%
Vulnerable Higher Income (n=77)	4%	2%	4%	1%	5%	1%	3%	5%	2%
Low Income Retired (n=328)	14%	21%	11%	12%	12%	24%	18%	10%	24%
Busy Homemakers (n=471)	20%	19%	23%	15%	18%	22%	21%	22%	18%
Secure Retired (n=255)	12%	14%	11%	25%	9%	13%	12%	11%	13%
Secure Higher Income (n=734)	30%	23%	30%	36%	36%	26%	25%	36%	18%

SEGMENTATION OVERVIEW *CONT'D*

PERSONAL CIRCUMSTANCES



General Characteristics / Circumstances								
Average number of persons in household	2.1	1.9	2.2	2.4	1.7	2.3	1.9	2.2
Have an active Health Care Card	39%	90%	35%	51%	80%	20%	44%	10%
Government rebate/concession on energy bills	33%	77%	17%	45%	94%	8%	39%	4%
At least one child aged under 18 in household	31%	30%	55%	44%	3%	38%	4%	43%
Most/all income is from government payment	29%	87%	7%	43%	90%	5%	13%	1%
Someone in household with disability/illness	22%	55%	29%	40%	46%	8%	14%	5%
Currently experiencing financial difficulty	21%	63%	73%	45%	22%	4%	1%	6%
Have a special payment arrangement	10%	29%	25%	52%	8%	3%	0%	2%
Single parent	9%	24%	7%	26%	10%	6%	3%	5%
Speak a language other than English at home	9%	7%	9%	44%	4%	11%	4%	8%
Identify as Aboriginal / Torres Strait Islander	3%	4%	3%	35%	0%	1%	0%	1%
Emigrated from non-English country, past 2yrs	3%	2%	1%	26%	0%	4%	0%	2%
In the Last 12 Months								
H'hold income reduced (e.g. job loss, retired)	24%	40%	62%	47%	16%	22%	25%	9%
Missed or been late paying energy bills	13%	32%	51%	37%	4%	5%	1%	6%
Had unforeseen circumstances affect finances	6%	11%	0%	60%	7%	0%	1%	3%
Had a member of the household pass away	6%	11%	0%	60%	7%	0%	1%	3%
Had a baby	6%	5%	18%	29%	0%	4%	2%	7%

SEGMENTATION OVERVIEW *CONT'D*

ENERGY MARKET EXPERIENCES

			12%	8%	4%	14%	20%	12%	30%
		Total (n=2,333)	Vulnerable Low Income (n=299)	Vulnerable Mid Income (n=169)	Vulnerable Higher Income (n=77)	Low Income Retired (n=328)	Busy Homemakers (n=471)	Secure Retired (n=255)	Secure Higher Income (n=734)
High Energy Bills	Electricity (\$500+/qtr)	24%	17%	39%	44%	9%	22%	17%	31%
	Gas (\$300+/qtr)	30%	46%	67%	19%	27%	29%	31%	46%
Investigated Options	In past 12 months	30%	30%	32%	63%	26%	27%	37%	26%
Approached by Retailer	In past 12 months	38%	42%	45%	65%	36%	33%	46%	31%
Looked, <u>Didn't</u> Switch	In past 12 months	14%	13%	15%	29%	12%	13%	17%	12%
Switched Energy Provider or Plan	In past 12 months	23%	28%	22%	41%	19%	23%	27%	21%
	In past 5 years	45%	51%	46%	48%	45%	44%	49%	41%
Ease of Comparing Offers	Electricity – nett easy	64%	61%	58%	80%	63%	64%	58%	67%
	Gas – nett easy	64%	57%	62%	84%	58%	63%	57%	67%
Aware of Gov't Comparison Sites	Nett <u>prompted</u> recall	16%	13%	14%	60%	10%	13%	13%	18%
Satisfaction (Nett satisfied)	Electricity provider	72%	69%	58%	93%	76%	68%	70%	75%
	Gas provider	72%	67%	62%	96%	72%	71%	66%	76%
	Market choice	60%	58%	45%	84%	58%	58%	61%	64%
Current Interest in Switching	Interested / looking	46%	45%	65%	79%	30%	39%	42%	53%
	Not interested at all	33%	32%	22%	11%	46%	34%	35%	30%
High Confidence In... (Nett 7-10 out of 10)	Finding the right info	62%	60%	53%	82%	62%	59%	61%	66%
	Choosing right plan	61%	54%	41%	80%	64%	57%	65%	65%
New / Emerging Technologies	Has solar panels	24%	17%	14%	51%	31%	23%	39%	19%
	Likely to install in 2yrs	13%	5%	17%	54%	5%	15%	6%	17%
	Has storage battery	2%	1%	1%	19%	1%	1%	0%	2%
	Likely to install in 2yrs	16%	9%	18%	58%	8%	16%	11%	18%



VULNERABLE LOW INCOME

THIS FINANCIALLY INSECURE SEGMENT IS THE MOST VULNERABLE – HOWEVER, THEY ARE LIKELY TO BE FAMILIAR WITH SUPPORT SERVICES

Key demographic features of this segment are as follows:

- More likely to be female (65% vs. 52% across the whole sample or the 'average' – note that comparisons to the average are provided throughout these summaries where relevant), aged between 35-54 years (45% vs. 33%), living in regional areas (46% vs. 34%), and a single parent (24% vs. 9%).
- Highest incidence of renting among all segments (57% vs. 30%).
- The second most likely to be living alone (37%).
- Fewer than 1% are themselves working full-time (vs. 34% on average), with more than half either performing home duties (27% vs. 10%) or unemployed (26% vs. 5%). Only a quarter have one or more people in the household employed full-time (25% vs. 61%).
- Most likely of all segments to be on a disability pension (10% vs. 1%).
- More than seven in ten have a household income of less than \$50,000 (72% vs. 34%) – the second highest of all segments.
- Six in ten (60%) thought their savings would cover essential expenses for less than 3 months if their income stopped – which is *twice* the average of 30% and the second highest of all segments.
- Four in ten have completed only primary or secondary schooling (41% vs. 29%).
- Second or third most likely of all segments to have experienced the following within the past 12 months:
 - ◇ A reduction in household income (40% vs. 24%);
 - ◇ Late paying energy bills (32% vs. 13%) – on average late with 3.6 bills (vs. 2.5) – the highest of all segments;
 - ◇ A member of the household passed away (11% vs. 6%); or
 - ◇ Unforeseen circumstances that severely affected their financial situation (11% vs. 6%).

- They are also the most or second likely of *all* segments to:
 - ◇ Have an active Health Care Card (90% vs. 39%);
 - ◇ Derive most income from government payments (87% vs. 29%);
 - ◇ Have government concessions on energy bill (77% vs. 33%);
 - ◇ Be currently experiencing financial difficulty (63% vs. 21%);
 - ◇ Have someone with a disability in the household (55% vs. 22%);
 - ◇ Have a payment arrangement with energy provider (29% vs. 10%).

Their energy market experiences and engagement:

- Three in ten had investigated energy offers in the last year (30%, vs. 30%). Around half (51%) had switched company or plan in the past five years, on par with the whole sample (45%).
- Overall experiences and engagement similar to other segments – e.g.:
 - ◇ Those who didn't investigate were mostly happy with their retailer;
 - ◇ Price-related factors were the most common reasons for switching;
 - ◇ Fewer than half are currently interested or looking for a better deal (45% vs. 46%);
 - ◇ A fair majority (60%) are very confident (7+/10) in being able to find the right information (vs. 62%) and 54% are very confident in being able to choose the right plan (vs. 61%).
- As with the average consumer, internet searches were the most common method of investigating options (33%), followed by phoning retailers (17%) and price comparison websites (15%); these were also their most preferred sources. Less likely than others to visit retailer websites (3% vs. 10%).
- Little more than one in ten (13%) could recall a government comparison website when prompted, on par with the whole sample.
- They believe they are unlikely to install solar panels (79%) or storage batteries (70%) in the next 2 years.



VULNERABLE MIDDLE INCOME

OVERWHELMED BY FINANCIAL AND FAMILY COMMITMENTS – AND HIGH ENERGY BILLS, THIS IS THE MOST UNHAPPY SEGMENT IN THE MARKET

Key demographic features of this segment are as follows:

- More likely to be female (69% vs. 52%) and aged under 54 years (90% vs. 61%).
- Second highest incidence among all segments of tenants (56%) or paying off a mortgage (39%), with only 4% owning their home outright (vs. 39% on average).
- Tend to be dual-parent households (just 7% are single parents), with the highest incidence of having at least one child at home (55%).
- Only 21% are themselves working full-time (vs. 34%), with around a third (32%) employed part-time, 7% employed casually and 7% self-employed. Higher incidence of home duties (18% vs. 10%), unemployment (13% vs. 5%) and studying (8% vs. 3%).
- Most (85%), however, have one or more people employed full-time in the household. Half (50%) have household incomes of \$50,000-\$100,000, with a lower than average incidence of incomes of less than \$50,000 (27% vs. 34%).
- Most likely of ALL segments to be experiencing financial difficulty (73% vs. 21%), and third most likely to have a special payment arrangement with their energy provider (25% vs. 10%).
- Their savings buffer is lower than all other segments: eight in ten (79%) thought their savings would cover essential expenses for less than 3 months vs. 30% on average. Conversely, only 3% thought their savings would last for 6 months or more (vs. 35% overall).
- Education levels are on par with the whole sample, with 37% having completed only secondary schooling, 31% holding college or TAFE certification and 31% holding tertiary qualifications.
- Three times more likely to have had a baby in the past 12 months – the second highest incidence among all segments (18% vs. 6%).

- Most likely to have experienced the following in the past 12 months:
 - ◇ A reduction in household income (62% vs. 24%); and/or
 - ◇ Missed or been late paying energy bills (51% vs. 13%) - 2.7 bills on average (on par with those others who had done so).

Their energy market experiences and engagement:

- Second highest incidence of having a large electricity bill (39% at \$500+/QTR), and the highest of all gas bills (46% at \$300+/QTR).
- This segment is the least likely of all to say they are satisfied with their electricity provider, the service and value provided by their electricity provider, and the overall level of choice in the market. Further, they are the least likely to say they were satisfied with both the process and outcomes of switching electricity provider or plan.
- The majority (65%) are interested in a better deal; the second highest incidence among all segments. Conversely, only 22% said they are not interested in switching at all – the second lowest incidence of all.
- On par with the average, 53% are very confident (7+/10) in being able to find the right information. However, only 41% said they were very confident in choosing the right plan – the lowest incidence of all. Indeed, they were also the least aware that they have the option to choose from a range of different types of plans (66% vs. 78%).
- Internet searches were the most common method of investigating options (29%), followed by word of mouth recommendations (15%) and price comparison websites (12%). The internet was the most preferred source (51%), higher than all other segments.
- More than one in ten (14%) could recall a government comparison website when prompted, which is on par with the average.
- The majority thought they were unlikely to install solar panels (63%) or storage batteries (59%) within the next 2 years.



VULNERABLE HIGHER INCOME

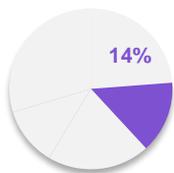
THIS YOUNG, HIGHLY EDUCATED, ENGAGED AND TECH-SAVVY SEGMENT IS LIKELY TO BE EXPERIENCING CIRCUMSTANTIAL OR SOCIAL VULNERABILITY

Key demographic features of this segment are as follows:

- More likely to be male (63% vs. 48% on average), aged under 35 years (79% vs. 28%) and living in capital cities (85% vs. 66%).
- More than half own their home outright (51%), with 28% paying off a mortgage and 21% renting or boarding – on par with the total sample.
- Most likely of all segments to be a single parent (26% vs. 9%), and the largest average number of household occupants (2.4 vs. 2.1).
- Second highest incidence of full-time employment (71%). Indeed, all in this segment live in a household with at least one full-time employee.
- More than half (52%) have combined household incomes of \$50,000-\$100,000 (highest incidence), while another quarter (25%) have incomes of \$100,000 or more.
- The large majority thought their savings would last less than six months, which is well above the average (69% vs. 46%). However, they have a bit more buffer than the first two segments, as they were more likely to say 3-6 months (43%) than less than 3 months (25%).
- Two-thirds (67%) hold tertiary qualifications – highest incidence of all.
- Most or second most likely of all segments to have experienced within the past 12 months difficult circumstances including having a member of the household pass away, a reduction in household income, having a baby, or missing or being late in paying an energy bill.
- Above average likelihood of someone in the household having a disability, currently experiencing financial difficulty and having special energy payment arrangements as a result.
- Most likely of all segments to be from culturally and linguistically diverse (CALD) backgrounds, with 44% speaking a language other than English at home (vs. 9%), 35% identifying as Aboriginal or Torres Strait Islander (vs. 3%), and 26% having moved from a mainly non-English speaking country within the past 2 years (vs. 3%).

Their energy market experiences and engagement:

- Highest incidence of having a large electricity bill (44% at \$500+/QTR), yet least likely to have a higher gas bill (19% at \$300+/QTR).
- Tended to exhibit the highest incidences of engagement and satisfaction with the energy market:
 - ◊ Many investigated energy options in the last years (63% vs. 30%);
 - ◊ Around eight in ten of those who switched were likely to say it was easy to compare electricity (80%) or gas (84%) offers;
 - ◊ Most (79%) were interested in a better deal, 7% had recently switched and only 11% were not interested in switching at all;
 - ◊ More than nine in ten were satisfied with their energy company, while 84% were satisfied with the level of market competition; and
 - ◊ Most (82%) are very confident (7+/10) in being able to find the right information, and in choosing the right plan (80%).
- However, they are also the most likely to express wariness or cynicism regarding switching, including potential hidden fees and charges and the potential benefits relative to the time and effort required.
- As with others, internet searches were their most commonly used (35%) and preferred (27%) method of investigating options.
- Six in ten (60%) could recall a government comparison website when prompted – far higher than all other segments (only 16% on average).
- Most likely of all segments to already have solar panels (51% vs. 24%) or storage batteries (19% vs. 2%), as well as the most likely to think they would install these in the next 2 years.



LOW INCOME RETIRED

WITH LOW LEVELS OF EDUCATION, INCOME AND TECHNOLOGICAL PROFICIENCY, THIS SEGMENT IS THE LEAST ENGAGED IN THE MARKET

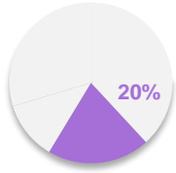
Key demographic features of this segment are as follows:

- Predominantly aged 55 years or over (97%), with a skew towards living in regional areas (55% vs. 34% across the whole sample).
- Second highest incidence of owning their home outright (62%), with 27% renting and 11% paying off a mortgage.
- Around four in ten live alone (39%) – the highest incidence among all segments, and only 8% live with two or more people. Virtually all (97%) are in households without children.
- All members of this segment are technically retired, yet just under 1% continue to work in some capacity. One in ten (10%) have at least someone in the household employed full-time, while 76% have combined household incomes of less than \$50,000 – the highest incidence among all segments.
- A third (34%) would not be able to cover essential expenses for more than 3 months on current savings, while 19% have enough savings to last more than a year; these results are on par with the average.
- Tend to have lower energy bills – 84% have electricity bills of less than \$500 per quarter (vs. 66% overall) and 76% have gas bills of less than \$300 per quarter (vs. 60% overall).
- This segment has the lowest levels of education, with around half having completed only primary or secondary schooling (52%, the highest among all segments) and fewer than one in five (18%) holding tertiary qualifications – the lowest of all segments.
- They are less likely than the overall sample to say they have, in the past 12 months, missed or been late in paying an energy bill (4% vs. 13%) or had a reduction in household income (16% vs. 24%).

- Most or second most likely of all segments to:
 - ◊ Receive gov't rebates/concessions on energy bill (94% vs. 33%);
 - ◊ Derive most income from government payments (90% vs. 29%);
 - ◊ Have an active Health Care Card (80% vs. 39%); or
 - ◊ Have someone with a disability/illness at home (46% vs. 22%).

Their energy market experiences and engagement:

- Less likely than others to say they don't have time or energy to think about switching (22% vs. 37%). However, this segment is also less likely to be interested in a better deal (30% vs. 46%), and more likely to say they are not interested in switching at all (46% vs. 33%).
- Internet searches were the most common method of investigating options (31%), followed by phoning retailers (15%) and price comparison websites (15%); these were also their most preferred sources.
- Lowest recall of government comparison websites – only 10% nett prompted and unprompted recall of any government website, vs. 16% across the whole sample.
- One in three (31%) already have solar panels installed. However, this appears to be a more savvy cohort within the segment, in that most (82%) of those *without* solar panels say they are unlikely to install them in the next 2 years. Similarly, while 1% of the segment already have storage batteries, 72% of those without them are unlikely to consider batteries in the next couple of years.
- This segment is skewed towards risk aversion (42% rated their willingness to take risks as 0-4 out of 10), discomfort with technology adoption (nett 45% identify as laggards or late majority) and relatively low internet literacy (29% rated their level of comfort using the internet as 0-7 out of 10, vs. just 18% overall).



BUSY HOMEMAKERS

THIS SEGMENT CONSISTS LARGELY OF BUSY MUMS WORKING PART TIME, WITH AVERAGE FINANCIAL VULNERABILITY AND MARKET ENGAGEMENT

Key demographic features of this quite 'average' segment are:

- The large majority are female (69% vs. 54%), aged between 35-54 years (56% vs. 47%) and living in metropolitan areas (69% vs. 66%).
- Second highest incidence of mortgages (37%), with relatively low incidence of owning their home outright (32% vs. 39% overall) and another 30% are renting.
- Only 17% live alone and nearly four in ten have at least one child living with them in the household (38% - above the average of 31%).
- None of this segment are themselves working full-time, with 63% working part-time, casually or self-employed (vs. 21% on average). A quarter are engaged in home duties (25% vs. 10%). However, 69% have someone else in the household who is employed full-time, suggesting a breadwinner + homemaker dynamic.
- This segment skews towards the middle band for household income, with 37% earning combined incomes of between \$50,000 and \$100,000 (vs. 31% overall).
- They appear to have a bit more of a savings buffer than most other segments, with just 17% saying their savings would last them less than three months if their income stopped – well below the 30% average.
- Energy bills for this segment tend to be similar to the total sample, with 22% generating high energy bills of \$500+ per quarter and 27% generating high gas bills of \$300 or more per quarter.
- Education attainment is also on par with the total sample, with 44% tertiary-qualified, 28% holding TAFE or college certification, and 26% having completed only high school.

- Around one in five hold an active Health Care Card (20%) or have experienced a reduction in household income in the past 12 months (22%), though neither are dissimilar from the experience of the average consumer.
- Compared to others, members of this segment tend to be less likely to exhibit most signs of financial or circumstantial stress, such as unexpected loss of income or having to rely mainly on the government for income, or living with disability/illness in the home.

Their energy market experiences and engagement:

- Around a third (34%) say they are not interested in switching at all, while 39% say they are interested or already looking – lower than the average of 46%.
- This segment is less likely to switch energy company as a result of dissatisfaction, though their satisfaction with their current energy retailers, ratings of customer service and value for money, and the level of competition within the market are all on par with the average.
- Internet searches were their most common method of having investigated energy options (33%), followed by phoning retailers (19%) and price comparison websites (18%). However, when asked to name their *preferred* method of investigation, this segment was more likely to point to online sources, with only 11% saying they would prefer to phone retailers.
- Around one in ten (13%) could recall a government comparison website when prompted, on par with the whole sample.
- This segment is not atypical in their attitudes towards risk and emerging technologies, with 23% having already installed solar panels and 1% having done the same for storage batteries.



SECURE RETIRED

THIS SEGMENT OF RETIREES IS MORE FINANCIALLY SECURE AND REASONABLY COMFORTABLE WITH NAVIGATING THE ENERGY MARKET

Key demographic features of this segment are as follows:

- More likely to be male (62% vs. 48% on average) and aged 55 years or above (96% vs. 39%).
- Highest incidence of home ownership among *all* segments (89%), with only 6% still paying down a mortgage and 3% renting.
- Two-thirds (66%) live with another person, while another 10% live with two or more people and 23% live alone. Only 4% have a child under the age of 18 living in the household with them.
- Virtually all members of this segment are technically retired, though a few (<1%) continue to work part-time. However, around one in six (17%) have at least one *other* person employed full-time in the household.
- Most commonly, households in this segment have combined incomes of less than \$50,000 (41%), with another 33% earning \$50,000 - \$100,000 – on par with the average, while only 15% earn more than \$100,000 per annum (which is below the average of 23%).
- A further indication of the relative financial security of this segment is that 60% say they would be able to cover essential expenses for more than 12 months on current savings – the highest incidence among all segments by far (the next highest incidence comes at 28%, for Busy Homemakers). Conversely, only 3% say they would not be able to last 3 months, in stark contrast to the 30% average across the whole sample.
- They tend to have modest energy bills – 76% have electricity bills of less than \$500 per quarter (vs. 66%) and 66% have gas bills of less than \$300 per quarter (vs. 60%).

- Education attainment is on par with the total sample, with 40% tertiary-qualified, 24% holding TAFE or college certification, and 34% having completed only primary school or high school.
- Around four in ten have an active Health Care Card (44%) or receive government rebates on their energy bills (39%), with a quarter (25%) also having had a reduction in household income in the past 12 months (due to job loss or retirement) – however, all of this is on par with the whole sample.

Their energy market experiences and engagement:

- They are quite open to looking into their energy options, in that they are less likely than others to say they don't have time or energy to think about switching (18% vs. 37%) or that they would prefer to save energy rather than seek out a better deal (35% vs. 45%). Indeed, this segment has the highest incidence of switchers being satisfied with the decision to switch electricity provider or plan (91%) and the process involved in switching (89%).
- Internet searches were the most common method of investigating options (29%), followed by comparison websites (26%), phoning retailers (15%) and retailer websites (14%); these were also their most preferred sources.
- On par with the whole sample, 13% could recall a government comparison website with prompting.
- They are the second most likely and largest cohort to already have solar panels installed (39% vs. 24% of all consumers). However, only 6% of those *without* solar panels say they are likely to install them in the next two years (vs. 13% overall). Uptake of storage batteries is also relatively low, with less than 1% already having them (vs. 2% overall) and another 11% likely to install in the immediate future.



SECURE HIGHER INCOME

THIS SEGMENT HAS HIGHER BILLS AND IS TIME-POOR BUT SAVVY WITH TECHNOLOGY AND COULD DEFTLY NAVIGATE THE MARKET IF THEY WANTED

Key demographic features of this segment are :

- More likely to be male (59% vs. 48%), aged under 55 years (88% vs. 61%) and living in metropolitan areas (80% vs. 66%).
- Nearly half are paying off a mortgage (46%) – the highest incidence among all segments – while 28% own their home outright and another 25% are renting.
- Six in ten (60%) are living with one other person, with another 22% living with two or more people and only 18% living alone. More than four in ten (43%) have a child under the age of 18 living in the household (above the average of 31%).
- All members of this segment are themselves working full-time – the highest incidence among all segments. The large majority (69%) also have at least one other person working full-time in the household.
- Most (81%) have combined household incomes of at least \$50,000 – including 45% with incomes of \$100,000 or more, which is well above the average of 23% across the whole sample.
- Although below average, 22% still say they would not have enough savings to cover essential expenses for even 3 months if their income were to stop unexpectedly, illustrating a degree of vulnerability across all segments of consumers.
- They have a higher than average incidence of having a large electricity bill (31% at \$500+ per quarter vs. 24% overall).
- Nearly six in ten (59%) hold tertiary qualifications – the second highest incidence of all segments.

- They are among the least likely of the segments to have vulnerability stressors, with fewer than 10% having experienced situations such as a recently reduced household income, missing or being late in paying energy bills, or receiving government rebates on energy bills.

Their energy market experiences and engagement:

- This segment was more likely than others to be interested in a better deal (53% vs. 46% overall). However, they appear to be less interested in actually looking for a better deal, with higher-than-average likelihood of saying that they would prefer to save energy before seeking a better deal (50% vs. 45%), that they don't have time to think about switching (47% vs. 37%) and that the amount of money they could save is not worth the effort (43% vs. 38%).
- Internet searches were the most commonly used (41%) method of investigating options, followed by price comparison websites (14%), retailer websites (13%) and word of mouth recommendations (10%).
- In line with total result, nearly one in five could recall a government comparison website when prompted (18% vs. 16% on average).
- This segment skews towards technological savviness and comfort with risk, though not to the same extent as Vulnerable High Income customers. A large 37% can be classified Innovators or Early Adopters of new technology (vs. 29% on average), and while only 19% have solar panels currently (vs. 24% overall), 17% of those without them are likely to consider installing panels in the next 2 years (vs. 13% on average). Similarly, 2% already have storage batteries, with a further 18% likely to install such in the immediate future (on par with the average of 16%).

VULNERABLE CUSTOMER EXPERIENCES

The remainder of this report focuses on the energy market experiences of the most vulnerable consumers – based primarily on the qualitative research and reflecting on the quantitative survey results



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ENERGY USE AWARENESS AND KNOWLEDGE

MOST VULNERABLE CUSTOMERS TRY TO SAVE ENERGY TO REDUCE THEIR BILLS, BUT DON'T UNDERSTAND THEIR USAGE, NOR THE EFFECTS OF THEIR EFFORTS

To provide context and understanding of their engagement with energy issues and the market, vulnerable customers' experiences and perceptions of their energy use were explored.

- ◆ Vulnerable customers demonstrated a general desire to minimise energy consumption and wastage where possible.
- ◆ Their motivation is primarily a desire to save money, especially when finances are tight. Reducing their impact on the environment was a lower-level secondary reason among this group for trying to reduce their energy use.
- ◆ As with other customers, vulnerable customers generally employed common energy saving practices such as turning off lights and appliances when not in use.
 - ◇ For some this included switching off appliances at the wall, which was felt to have added safety advantages.
- ◆ These practices tended to be guided by a general hope and assumption that it would help reduce energy usage, rather than any specific reduction goal or approach to analysing their usage. This is because vulnerable customers typically:
 - ◇ Do not know how much energy their various appliances use specifically, let alone their total daily usage;
 - ◇ Often own cheaper and less energy efficient appliances;
 - ◇ Rarely look closely at their bills, and struggle to understand them, particularly in relation to energy usage in kWhs, different tariffs and what 'green energy' really means;
 - ◇ Don't analyse their bills when they change their behaviour, so aren't sure if they were actually saving energy or money;
 - ◇ Generally don't proactively budget and plan for their bills, though quite a few do regularly set aside money for these.
- ◆ Consumers do have a vague sense that certain household appliances use relatively more energy than others, with heaters and air-conditioners noted as more likely to be energy guzzlers. However, they don't know how much they use in an objective sense (e.g. in kWhs or on a daily average basis). Many also indicated that they wouldn't be prepared to go without them regardless, so didn't see much point in analysing their usage in detail.
- ◆ Those with children also noted added challenges in controlling energy usage, as this often meant multiple appliances being on throughout the household at the same time, and children being prone to leaving appliances on even though they aren't in use.
 - ◇ Similar to the need for heaters and air-conditioners, parents typically indicated that they were either unable to control their children's energy use behaviours, or weren't prepared to stop the children having fun for the sake of saving energy. As such, they had decided to live with whatever cost that entailed.
- ◆ While in many instances vulnerable customers are able to live within these choices, the inability to understand their energy use can potentially have more serious outcomes for those who are more vulnerable. An example of this was detailed by a customer in Shepparton who was in a bill dispute with a retailer about a series of extremely high bills and was at a loss as to why their bills were so high, let alone how to resolve the issue. He had not been able to secure any support from the retailer to help explain his energy use and was instead rendered unable to open a new electricity account in his name due to the significant amounts outstanding.

ENERGY USE AND BILLS

SELECTED QUOTES

"The only thing I try to do to keep my bills down is to ensure I switch off the majority of power points when not in use. However, I do not stint on usage as I believe in comfort i.e. I use my air conditioner freely when I deem it necessary. I consider this one of my most important assets in my home; particularly this summer." (Online Forum)

"I try to keep track of my usage but the bills seem like they're designed to be confusing. I find energy bills are the most unpredictable and hardest to manage - the price seems to go up and up all the time when my usage is less - so frustrating!! I pay the same amount each week - I've been doing this for years - I don't want a nasty surprise each quarter." (In-depth Interview)

"Having two teenage boys makes this very difficult; they are not very conscious about leaving things/lights on! However I am always on their backs about it, and sometimes they are aware... We have a small reverse-cycle unit in the living area, which only is used in summer during the day in extreme temps (our house is a 50's fibro!) but I 'work' the house with large drop-down veranda blinds and shutting it down. In winter we have a combustion that goes 24/7. I know the heater lights in the bathroom use a lot of energy but in winter in the hills, I will always use them... along with the heated towel rail - towels would stay cold and wet in winter if we didn't! I don't regularly check usage - as a single mum working 3 jobs, I usually have other pressing things to do. However of course I look at my bills which is usually a reminder to give the 'speech' to my boys :) The hardest thing is definitely managing my boys usage and helping them to stay aware of their usage. I make regular instalment payments by direct debit, otherwise I wouldn't be able to pay a bill in a lump sum." (Online Forum)

"I think turning off appliances and lights makes a difference, but not much, particularly since our daughter often then turns them back on. Both my husband and I sometimes fall asleep with the TV on too, and won't wake up till early in the morning to turn it off. So it sort of negates our work to cut power. I'm not sure how I would regularly check usage, I've heard of people using different tools or apps provided by companies but I'm completely in the dark (bad pun) about what they would be." (Online Forum)

"We turn off all lights except in the rooms we are in. I open the windows and let the breeze come through instead of using the fan or air-conditioning. Our house ceiling and walls are all insulated. My curtains are rubber-backed to keep the cool in summer and warm in winter. I was told that the dishwasher uses a lot of power but it is very useful for me so we turn it on after 10 PM whenever it is full. I do not know how to check our usage so I just keep track of the bills when the statement arrives. I would like to change some of our appliances to more higher energy rating ones but I could not afford to do that at the moment. I usually delay payment as long as possible. I sometimes give the company a call and ask for extensions." (Online Forum)

"I constantly turn off lights. I just started renting this place. I have considered checking what sort of globes are in place. I can put in LEDs and swap them back out before I move again. My desktop computer uses a bit... and the older TV is not as conservative as newer models." (Online Forum)



Image posted by online forum participant to illustrate their confusion about why their bills are always so high.

PERCEPTIONS OF ENERGY COMPANIES

FEELINGS LARGELY NEUTRAL, PLUS A MIX OF CONCERNS AND LOYALTY

Perceptions of energy companies were also explored, to understand experiences and provide further context to vulnerable customers' behaviours and support preferences.

- ◆ Perceptions of energy companies are largely based on personal experience as well as word of mouth.
- ◆ Most participants felt that apart from some retailers being more well-known than others, they are pretty much the same at the end of the day. Therefore for many of them, differentiation comes down to the customer service they offer.
- ◆ Consequently, many judgements about energy companies are shaped by their customer service encounters, as well as switching experiences.
 - ◇ Good service encounters were often a source of satisfaction, and this is particularly salient at a first encounter when a customer switching a supplier has a high degree of uncertainty. Importantly, most customers who had changed recently indicated that they found the process of switching relatively easy, and this created a positive perception of the brand. A key driver of satisfaction here was that the company took care of the whole process, making it hassle-free for the customer
 - ◇ A few felt a sense of loyalty towards their retailer because they had received good service. Specific examples were around their company being lenient with debts and late payments.
- ◆ Participants were generally not interacting much with their retailers – and happy to keep it that way. For some, their satisfaction stemmed from simply never having encountered a problem with their retailer.
- ◆ Most had concerns about the prices they were paying and/or were typically shocked at the size of their bills, yet felt that there wasn't much they could do about it. As a result many indicated that they felt neutral towards their provider.
- ◆ Many had, however, made payment arrangements with their retailer (instalments and/or extensions), or had implemented their own regular payment process to try and reduce bill shocks.
- ◆ Most participants also expressed varying degrees of confusion about energy companies – terminology used, tariffs, options etc.
- ◆ However, quite a few participants spoke of concerns and frustrations with poor service that their energy company had provided. This largely related to call centre operators, including:
 - ◇ Demonstrating a distinct lack of empathy – e.g. not offering payment extensions or instalments until the customer essentially begs them for it. One customer described a situation where they were told they had to pay the account that was due the next day, or their power would be cut off, and was only able to secure a regular payment instalment arrangement when they accessed a manager.
 - ◇ Bullying the customer into staying with them, using threatening language and raising their voice at the customer;
 - ◇ Some described offshore call centres as having narrow and inflexible customer service scripts, which made it difficult to reach a successful outcome or have a specific problem solved;
 - ◇ Giving incorrect or misleading information to the customer; and
 - ◇ Not following through as agreed, causing the customer to have to recontact them several times – at their own time and cost expense.
- ◆ Key sources of trust in energy retailers outside of personal experiences are positive word of mouth, the size and longevity of the brand and advertising and media coverage which helps to reinforce familiarity.
 - ◇ There was a sense among some that larger brands that have stood the test of time must be doing something right for their customers.
 - ◇ Some participants expressed an assumption that the government would be regulating the sector sufficiently so that consumers would be protected in case something goes especially wrong.

ENERGY COMPANY PERCEPTIONS AND EXPERIENCES

SELECTED QUOTES

"[Retailer] is the most prominent and the most popular. [Retailer], for example, half would say they've never heard of it, whereas [Retailer]: in the street, people know it." (In-depth Interview)

"I trust [Retailer] because I have less problems with them than I had with [Retailer] – my bill amounts being incorrect. It's a very time consuming process to correct. I had to make 5-6 calls to resolve an issue, and that involved getting passed on to new staff repeatedly." (In-depth Interview)

"Through Facebook you hear such bad stories about all of them so I don't think there's one that's really ahead of the others and you only ever hear bad stories, never good ones. [Retailer] is more widely known than some of the others like [Retailer]. That's why we went with them." (In-depth Interview)

"I don't think the current choices are really relevant or meaningful to be honest because we have little to no control over pricing, rates, tariffs etc. It just really comes down to what discounts the billing companies are prepared to provide and pass onto their customers. To me, the only real difference would be customer service." (Female, Online Forum)

"My provider has been anything but good when it comes to asking for extensions." (In-depth interview)

"It comes down to the brand name. People trust them because they are long established. They must have done something right to survive that long – those like [Retailers]. Others are just small, not long-established, not well known. 'New' means not many people trust them." (In-depth Interview)

"Our electricity bill got out of control – it got up to \$600 sometimes. We hit a bit of a tight spot with my wife's work – she does contract work. I called initially and they said, 'I have to talk to my manager about that'. They were really reluctant to escalate it – we had to keep pushing to speak to the manager. The first person told us if we didn't pay the bill, the electricity would be shut off the next day. So they eventually put us on to the manager and it worked out, but it caused all this unnecessary anxiety. We've been with them for seven years! That first guy was rude to my wife – my wife said, 'We can't pay this in full, can you help us?' and the guy said flat-out, 'No. Either pay it or you'll have electricity turned off.' The manager was better, but stern. It was only maybe the tenth time we've been overdue in seven years. We were just looking for a bit of assistance – what's the problem there? The bill was about to be due the next day – around \$300; we offered to pay half, or put us on an arrangement to catch-up. I've worked in call centres before, I've worked in collections – so I knew the assistance that could be offered, but that guy didn't want to help." (In-depth Interview)

"I've been struggling with power bills all my life. It's embarrassing to tell someone you can't afford to take a bill. And then we get stressed out and start to fight because there is no money." (In-depth Interview)

"It is important that everyone should be aware of the options. There's a lot of vulnerable people out there who don't understand it." (In-depth Interview)

AWARENESS AND KNOWLEDGE OF MARKET CHOICES

VULNERABLE CUSTOMERS' MARKET CONFUSION RESULTS IN FEW BEING CONFIDENT THAT THEY HAVE THE BEST PLAN OR DEAL

One of the objectives of the research was to explore vulnerable customers' knowledge of their energy market choices.

Awareness of Retailer Choice

- ◆ The majority of vulnerable customers were aware that they have a choice in their energy supplier. However, the number of companies they could name was relatively low.
- ◆ Many noted that they hadn't really looked into the options, which is why they couldn't name many retailers.
 - ◇ Companies that were named tended to be the larger, more-established companies or ones that had been actively approaching customers more recently.
 - ◇ A number of regional customers indicated that, while they were aware that they had a choice, they were nonetheless restricted to the options available in their area.
 - ◇ Some customers were in situations where they understood that energy providers were chosen by their landlords – e.g. tenants, pensioners in retirement home villages, those in commission housing. Consequently they weren't sure whether they actually had any say in the matter.

"I think people are aware there is choice but are a bit sceptical about changing companies. You see ads on TV but I think a lot of people don't know how to get out of contracts or if an option is viable for them."
(In-depth Interview)

Awareness of Energy Plan Choice

- ◆ While most customers were aware that they could choose their supplier, there was limited understanding that they could select from various plans with individual companies, including their own.
 - ◇ When customers were asked what plan they were on, there was a *lot* of confusion as to what was meant by 'plan' exactly. Some felt it just meant a contract, some thought it was about their payment plan, others thought it was about what type of discount they were receiving, while others didn't think they were actually on a plan at all. Only very few knew what type of plan they were on.
 - ◇ Relatedly, few knew what types of plans are available and the associated aspects, and almost none were aware of the difference between standing and market offers.
 - ◇ Even when reviewing their bill many still struggled to identify what plan they were on. Those who could find their plan details generally didn't know what that information meant.
 - ◇ Indeed, looking at their bills during the research highlighted confusion around much of the terminology on bills. In turn this led to some difficulties using the government comparator website as some customers struggled to link the information sought back to the information on their bill.
 - ◇ Customers with solar panels were more aware of their type plan and specific rates, as they tended to be more engaged.
- ◆ In turn, most were not confident they were on the best plan.
- ◆ Many vulnerable customers were aware they could arrange for more frequent bills (e.g. monthly), bill smoothing or frequent instalments, so that they could better manage their finances. However, many preferred not to ask their retailer for payment support because they didn't want any repercussions.

INVESTIGATION BEHAVIOUR

FEAR OF MAKING THE WRONG DECISION AND EMBARRASSMENT ABOUT FINANCIAL SITUATION ARE KEY BARRIERS FOR VULNERABLE CUSTOMERS

Consumers were asked about their experiences in investigating energy companies and plans, the reasons for their behaviours, and their experiences when looking into their options.

- ◆ While vulnerable customers demonstrated some interest and awareness of broader energy issues, most typically had a very low underlying level of interest in energy retailers and energy market related issues.
- ◆ Most indicated a desire to save money on their energy bills. Despite this, few were actively seeking out those savings – and yet most acknowledged they probably should look into whether they are on the best deal more regularly.

Barriers to Investigating Energy Options

A number of key elements are behind vulnerable customers' avoidance of exploring their options, outlined below in broad descending order of mentions and importance.

- ◆ **Too many choices and fear of making the wrong decision.** The market is perceived to contain a multitude of retailers, and for many the wide array of options in the market – and most importantly the inconsistency in how those options are communicated – make it very confusing and daunting for them to even begin comparing the different offers. Many participants felt more comfortable in knowing what they pay now, rather than risking paying more if they changed, especially when they often have little if any buffer to risk in their finances.
 - ◇ Poor previous experiences in switching also appear to exacerbate aversion to change, with several participants mentioning that such experiences tend to drive them back to the larger, seemingly safer providers.

- ◆ **Loss aversion.** Some customers were scared of what it would mean financially if they were to leave their existing provider – i.e. that they could inadvertently lose benefits they had secured, or be unable to get the same payment arrangements. This was particularly the case for those who had existing debts, who were concerned about the idea of having to pay off their debt while also paying a new provider. Some were concerned that they could not afford to switch because there might be exit and reconnection fees, when they were already at the limit of what they could manage.
- ◆ **Loyalty.** In some instances a lack of investigating energy options was a result of a sense of loyalty to existing providers. Some felt loyal because their current provider had done the right thing by them. For example, by providing them with financial flexibility and allowing them to pay off their debt in small instalments, some vulnerable customers felt their retailer had demonstrated a level of care and consideration that deserved their loyalty, and which they might not find elsewhere.
- ◆ **Embarrassment about their financial situation.** For many vulnerable customers speaking to their energy provider about their inability to pay their bill was embarrassing, and in some cases demeaning – and thus an experience they want to avoid repeating, especially with a company they have no history with.
 - ◇ Not all customers were aware that an option such as setting up a payment instalment plan was available.
 - ◇ Others encountered additional difficulties, such as poor or potentially misleading customer service, with some saying they had been instructed to pay the bill or their electricity would be cut off, rather than being given a payment plan option.

INVESTIGATION BEHAVIOUR *CONT'D*

LIMITED KNOWLEDGE, LACK OF TIME AND PERCEIVED LACK OF BENEFIT WERE OTHER KEY BARRIERS TO INVESTIGATING RETAIL ENERGY OPTIONS

Other barriers to market investigation among vulnerable customers that appear to be more in line with barriers among *all* customers were as follows.

- ◆ **Satisfied with current retailer.** Some participants hadn't looked because they were either happy with their current retailer or had no particular problems with them.
- ◆ **Lack of time and inertia – i.e. it is just easier to stay the course.** Many felt that they did not have the time to investigate their options, or that the time involved to engage with the market and work out how to compare plans would not be worth it. Some admitted that they felt too lazy to be more proactive, tending to stick to their existing routine and habit.
 - ◇ Notably, some participants felt that the regularity of their energy bills might have lulled them into inaction. By comparison, bills that fall annually and are larger (e.g. insurance) tend to provide more of a jolt that prompts them into looking around.
- ◆ **Lack of perceived benefit/no real value differentiation.** While vulnerable customers have a strong focus on the bottom dollar, there is a common perception that energy providers are all roughly the same in terms of value / prices at the end of the day. As a result some are sceptical of other deals or offers.
 - ◇ Some indicated that they would be open to better offers, but the benefits to them would have to be clear.
 - ◇ Others made the assumption or were of the belief that they were already on the best deal. In a later part of the research some participants were pleased to have this confirmed when they used the independent comparator site.
- ◆ **Limited knowledge and understanding.** The majority of participants had found comparing different offers very difficult owing to a limited understanding of energy terminology and confusion around how to compare plans. As a result some had a low level of confidence in being able to find a better plan, and a fear of legalistic jargon and terminology, as well as hidden rates and charges.
 - ◇ Many had questions around what the difference is between a tariff and a rate. Others were unsure about the unit of measure for electricity. Most felt that there was a lot to take in, with some even equating it needing to learn a new language.
- ◆ **No actual ability to choose.** In a number of instances customers who were renting (including those in a retirement village or public housing) had the general impression that they had no choice in their retailer, as the body corporate or a similar overarching body decided that for them.
- ◆ Consequently, a popular view was that it was easier and safer to stay with their current energy provider, even if that meant they were potentially missing out on a better deal or subjected to poor service.

“The choices vary, basically based on the variety of suppliers out there. It can also become quite confusing when trying to compare products, as they aren't always the same. I mean some rate options are based differently to others and it can be quite difficult to get to a final comparison. Discounts vary also: some are on usage only, some on everything, some only on pay on time, some only with combined with gas and electricity.” (Online Forum)

“Each company has at least five different plans, which leads to 25 different options. You just want your energy in your house. So there's lots of confusion... There should be straightforward options.” (In-depth Interview)

IN THEIR OWN WORDS: REASONS FOR NOT INVESTIGATING

"I once changed to [Retailer], only for them to majorly stuff up my bill and my power got cut off, so I sort of went back to [Retailer]." (In-depth Interview)

"Too many, too confusing, you don't know who to go for... You just have to hope you're doing the right thing." (In-depth Interview)



"There are so many choices when it comes to electricity and gas providers that it does become ridiculous, and hard to know if you are actually getting the best deal, or even if what someone else is offering is actually better than what you have at the moment or not. I am not surprised that people have trouble navigating the energy and provider choices in this day and age. I think that the industry needs to be regulated a little more, to make things a little bit more user-friendly for your average person, and also to ensure that power companies are actually delivering what they promise." (Online Forum)

"Better the devil you know."
(In-depth Interview)

"Over a 3 month period a \$20 difference is not worth the time and effort to change." (In-depth Interview)

"In the past I have found navigating the myriad companies and deals with regards to power-providers somewhat complex, not unlike the clockworks in the image I now upload." (Online Forum)

"I don't look into it more often, I think maybe I should ...but then think it's not worth the effort." (In-depth Interview)

"Sometimes the information is easy to find, but it's time-consuming." (In-depth Interview)

DRIVERS FOR INVESTIGATING THE MARKET

WANTING A CHEAPER PRICE OR A DISCOUNT, GETTING AN UNUSUALLY HIGH BILL AND MOVING HOUSE ARE THE MAIN REASONS FOR INVESTIGATING OPTIONS

- ◆ The main motivating factor for investigating energy options was to save money.
- ◆ For most, to be prompted into investigating their options required a noticeable trigger event. This event often suddenly made the perceived hassle of investigating options worth it, or itself had created a hassle such that the customer was now having to engage more anyway.
- ◆ Consequently, they typically looked into their energy options when they:
 - ◇ Had experienced an issue such as an unexpectedly high bill;
 - ◇ Had a change in personal circumstance such as moving house, or getting solar panels installed;
 - ◇ Had encountered poor customer service – and typically this was required more than once in order to generate a desire to shift companies;
 - ◇ Were approaching the end of their contract – typically upon receipt of some communication from their retailer to this effect;
 - ◇ Wished to change billing frequency or another aspect to do with their plan; and/or
 - ◇ Had discussed energy providers with family, friends or colleagues. In some instances this was related to a deal or special that was running; and/or
- ◆ Prices were increased, and in some cases coupled with a decrease in their solar feed-in tariff. One participant with solar panels explained (see over the page) how they went to great lengths to investigate their options as a result of this. The amount of time they dedicated to this appears to be an anomaly, and a reflection of general heightened engagement that is often observed among solar customers.
- ◆ Some vulnerable customers reported being approached by an energy company offering to sell them electricity or gas over the phone or by door to door salespeople, particularly in regional areas. Direct approaches were a relatively polarising issue for these customers. While many acknowledged that it was one of the only things that would prompt them into looking at their options, some also felt that they found this type of approach too ‘pushy’ and aggressive, and didn’t like that it put them ‘on the spot’ and demanded that they decide then and there.
 - ◇ Relatedly, very few mentioned any awareness of a cooling off period in the event that they did sign up to such an offer.
 - ◇ As a result of their experiences, some found this form of direct contact to be a deterrent to actually considering changing.

“Something has to prompt you to look again or you could look every month – something that prompted me was I bought and sold a property, and that forced me to look.” (In-depth Interview)

IN THEIR OWN WORDS: REASONS FOR INVESTIGATING

“Something has to prompt you, like buying or selling property; or, in exceptional circumstances, having one’s house burn down.” (In-depth Interview – participant’s house had burnt down)

“We have a two year contract; they send you a letter to say your contract is up. I thought I’d have a look.” (In-depth Interview)

“I was thinking about looking because I was angry...[Retailer] bugged me around...they had no record of me ringing and moving the electricity from one house to another.” (In-depth Interview)

“For 20 years I’ve been with [Retailer] because I’m too lazy to go and see what’s out there... I’ve looked a couple of times, through iSelect and that. ... We sort of look and it all seems too hard... If I could get better rates, discounts and no hidden extras it would be good. They said those things but sometimes it doesn’t end up being better.” (In-depth Interview)

“I was just curious and wanted to save some money.” (Online Forum)

“About a month ago I received my detailed bill from my energy supplier, [Retailer]. Again, this bill was much higher than I had anticipated, with 24 solar panels on my roof, 2 minimal users in the house and a supposed 18 cent feed-in tariff. I looked into what had changed. They had cut the feed-in tariff to 10 cents, and increased the daily supply charge to \$1.43 per day. It used to be \$1.19 per day. Amazing how they can change this stuff without notifying you.

I sat for hours (days actually), and worked out what plan of [Retailer]’s was the best for us. Then I looked at other energy suppliers. I simply went onto the internet to see who supplied energy in my area and then looked at each rate I would be charged. I also connected with iSelect. They suggested one company straight up, so I wonder how much they know, in detail, of rates charged, or do they just need to recommend certain companies throughout the day.

They are all pretty close in regards to fees and rates. I have not yet changed, but I have not yet finished my comparison of companies. I am hoping the government will step in and make these companies reduce the daily supply charge and bring us onto an even keel with other households. I don’t understand why we should be charged more for our daily supply of energy... Initially I chose to go with [Retailer] because they provided the best deal for households with solar panels. Now, they are just the same as the other companies. No better off being with them. The last company I looked into, [Retailer], I would be slightly better off with them. Two more companies to compare (lots of time to investigate), then I will decide and move. It seems not many people have an emotional tie to their energy provider. I am one of those people.” (Online Forum)

“The last time I looked was when I bought my house which was about 12 months ago. I was moving from a rental and decided I should check what deals or lower rates I could get now that I would have a mortgage. I used iSelect which I found to be really easy and helpful. I also looked at Energy Watch, which was the first website I visited to get some information. No I have never looked and not switched. I signed up with [Retailer] because for me at the time they had the best rates and pay on time discounts.” (Online Forum)

EXPERIENCES INVESTIGATING THE MARKET

CONFUSION RULES AMONG VULNERABLE CUSTOMERS WHEN LOOKING INTO ENERGY OFFERS ... BUT THIS IS EVIDENT ACROSS ALL CONSUMER SEGMENTS

- ◆ When asked to reflect on their experiences in trying to find a better energy deal for their household, the overwhelming response from participants was that it is all too confusing and difficult. Those in the online forums posted images to reflect their experiences – key themes are reflected here. Having said this, consumers who used a price comparison website tended to find the experience easier.



Image posted by online forum participant to illustrate their confusion about investigating their options: “Confused about all the different choices, and what is best for me and my family.”



“The baby is scratching its head because the power company talks about tariffs and unless you are in the know, it’s just confusing as hell. I picked the bench with one guy because we are left with only the one choice and the power company doesn’t care and can charge what it likes.” (Online Forum)

“I am aware that there are several companies offering various plans and rebates that are either relevant or not relevant to me, but it makes the plans very confusing. I am scared that the plan might look better on paper but I will only realise it is worse after I move providers.” (Online Forum)

“For me they were too many and I am not really aware of the differences. It was one of the things that really confused us when we were going into our house. While I was a new consumer I needed more explanation, with language that I can relate to.” (Online Forum)

“When we moved to our last house, I looked into power suppliers and moved over to [Retailer] from [Retailer]. I always research the best options I am offered when making decisions. All the forums and comparison sites said [Retailer] was the best, if you could understand the app.” (Online Forum)



Image created by online forum participant: “I created this picture based on my experience with energy companies and searching for information on different offers and options - I call it ‘Confused!’”

SWITCHING BEHAVIOUR AND EXPERIENCES

KEY DRIVERS WERE A LARGER THAN EXPECTED BILL, A CHANGE IN PERSONAL CIRCUMSTANCES AND DIRECT APPROACHES FROM ENERGY COMPANIES

To understand switching behaviours among vulnerable customers, participants were asked if they had ever switched and if so, to explain the reasons why and describe their experiences.

Investigating but Not Switching

- ◆ Vulnerable customers tend to be quite risk averse when it comes to switching, with a common sentiment being 'better the devil you know'. They also lack a financial buffer to take risks with.
- ◆ Some indicated that they had investigated but not switched because they were 'just comparing prices'.
- ◆ For those who do take the leap into investigating their options, many end up being overcome by confusion about the specific elements and different ways in which offers are described. As such they lack confidence not only in whether they currently have the best deal, but also whether others offers are better; i.e. it may *seem* better but they could be duped and end up *worse* off.
- ◆ Others who had more successfully navigated their options but nonetheless remain with their existing provider indicated that they were already on the best deal, that their current company matched or bettered the deal they had found, the better deal was with an unknown/small company which they were less inclined to trust, and/or they came to the conclusion that all the companies are essentially the same at the end of the day, so it wasn't worth going through the hassle of switching.

Investigating and then Switching

- ◆ While there were a variety of factors that could trigger investigation into alternative energy supplier options, several key reasons emerged as the most likely to lead to a switch:
 - ◇ **Receiving an unexpectedly large bill.** This was more likely to result in switching (than simply investigating) if it was accompanied by other factors such as poor service or no explanation or support able to be offered.
 - ◇ **A change in personal circumstance** such as moving house, or getting solar panels installed. Sometimes their retailer was also not available in their new area.
 - ◇ **Poor customer service experience(s)**, particularly if this involved not being able to reconcile issues with the retailer, such as disagreement on bills or (often repeated) failure to update records to reflect changed circumstances. Some also had issues with outages (especially regional dwellers), prompting a switch. Notably, a few also had
 - ◇ **A direct approach by an energy company** with an offer or incentive (such as sign-up bonuses, pay on time discounts, no lock-in contract, and buy-out offers e.g. one customer had a previous debt paid off by new retailer).
 - ◇ **Word of mouth/recommendation** from friends, family or colleagues often reinforced a consumer's decision to switch. This was particularly salient when the brand being considered was less familiar. Often this related to a positive switching experience.
 - ◇ **Better perceived security.** A few customers had switched to a larger / more well-known retailer because it offered them a greater sense of security than a smaller, less established brand.
- ◆ After finding a better offer, there were mixed experiences with switching. Most spoke of it being an easy process to actually switch to a new retailer or deal, and a decision that they were happy with. A few had, however, experienced difficulties switching, with the retailers making mistakes or taking too long. Importantly, this did not appear to be a deterrent to them switching again in future.

IN THEIR OWN WORDS: REASONS AND EXPERIENCES WITH...

SWITCHING

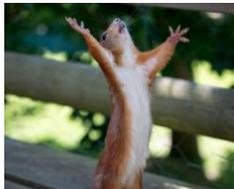
"I signed up with [Retailer] because for me at the time they had the best rates and pay on time discounts." (Online Forum)

"Before this one I was with [Retailer]. My bills were going so high it was getting a bit unbearable. So that's when I did some research. Found some better ones... and just narrowed it down." (Online Forum)

"My financial situation in going to another job that paid less... I got a significantly better price. The company was sound. The reputation of the company was good. I had shares in the company but that was not the deal breaker." (Online Forum)

"While I was a new consumer I needed more explanation with a language that I can relate to. I couldn't relate to anything when choosing so I went with [Retailer] as it was the biggest here in Adelaide. I thought things shouldn't go wrong with it." (Online Forum)

"I have switched 3 companies in the last 2.5 years...I used energy broker websites. I might switch depending on my usage and the bill I get. Both my gas and electricity was moved, because they offered me a higher discount and a higher pay on time discount." (Online Forum)



"My two photos represent how confused I was when I first started to look around and relief that followed once I had finally chosen one!" (Online Forum)

NOT SWITCHING

"Last time I looked into it was about 6 months ago because I realised I lost my regular discount. I Googled the different options out there and found out there are discounts available under the current supplier. So I rang them and they told me I am out of contract and will get the discount back as long as I sign a two year contract again. I did it and don't bother to switch to another company." (Online Forum)

"I actually did have a door-knocker came to my house and suggested a better deal. However, advice from family and friends showed it to not in fact be a better choice, so I did not proceed... Despite a significant pension rebate the fees were higher; to the extent that the overall bill would be higher." (Online Forum)

"We have looked into changing, but it seemed complicated and took too much time and so we didn't change companies. As well as it was difficult to figure out if one plan was better than another after set up costs etc." (Online Forum)

"Sure enough there were competitors giving us the best deal for our location. It was in fact – can't remember now 25% and 30%, I think. I called up [Retailer] and asked 'Can we get a better deal?' And she matched what was on the comparison website plus an extra couple of percent – so they went above and beyond." (In-depth Interview)

"I think the most that makes someone not want to switch is not knowing if there is a problem with the existing company or what to compare to get a better one!" (Online Forum)

"Unless a better, more transparent company comes along, I won't change. I am very happy with [Retailer]." (Online Forum)

SWITCHING INFORMATION SOURCES

ONLINE SEARCHES ARE A COMMON STARTING POINT, WHILE WORD OF MOUTH IS A MORE TRUSTED INFORMATION SOURCE

- ◆ In line with the quantitative research, the internet and word of mouth and were the most commonly mentioned information sources, with door-to-door sales people also mentioned by a few regional customers.
- ◆ In terms of the internet, Google was often mentioned as the first point a customer would go to online to begin a search into their options. Common search terms were along the lines of 'best energy deals' and 'energy companies in [location]'.
- ◆ Customers were generally aware that there were energy comparison websites out there, with the most commonly mentioned ones being iSelect and Compare the Market.
 - ◇ There was a degree of scepticism around these sites as to whether they receive kickbacks from the retailers, and whether all available offers were included.
- ◆ Participants commonly reported going straight to individual energy retailer websites and/or telephoning retailers to find the information that they sought, even if they had initially used a comparison site.
- ◆ Word of mouth was frequently cited as the most trusted information source, as it was often based on a friend's, family member's or colleague's personal experience. This had the ability to sway or tip final decisions one way or another, particularly if a customer was uncertain or ambivalent about their current retailer.
- ◆ Door-to-door sales people were also a source of information for some customers, but reactions to this source were polarised.
 - ◇ Some appreciated receiving information from retailers this way (because they are otherwise fairly unengaged and unmotivated to switch), while others disliked the pressure they felt door-knockers exerted, and the sense that they had to make a decision on the spot.
 - ◇ At the more extreme end, a few participants reported feeling that they had been bullied on the phone or by a door-to-door sales person.

"I do as much research as possible without talking to anyone. Once you get to a point where you have questions, yes, I'd call someone but I like to compare all my options first before I talk to anyone." (In-depth Interview)

"An independent government site would be more credible I suppose. Everyone should trust the government. 'gov.au' trust is more than for the '.coms'." (In-depth Interview)

"If I wanted to change I would probably get on the internet and I know that there are websites that provide comparisons, but I think I would use the Government site <http://www.energymadeeasy.gov.au/>." (Online Forum)

"I also would like to mention that when I was on maternity leave I had several sales reps knock on my door trying to get me to switch over to other billing companies. And every single one of them were deceptive in their approach to this." (Online Forum)

SUPPORT NEEDS, PREFERENCES & IDEAS



NEWGATE
RESEARCH

SUPPORT SERVICES FOR CUSTOMERS

INDEPENDENT ADVICE, COMPARISONS AND OTHER TOOLS OF EMPOWERMENT SOUGHT BY CONSUMERS, WITH GOVERNMENT THE MOST TRUSTED SOURCE

When asked to consider how consumers could be better supported in investigating and understanding energy options, and in turn switching companies or plans, several key themes emerged, largely centred on consumer education.

- ◆ Many participants suggested, without any prompting, an independent (i.e. non-commercial) energy offer comparison website that would also help them to decipher energy offers. They mostly envisioned this would be provided by the government, although a few suggested it might be hosted by a consumer affairs group or an NGO.
 - ◇ Some expanded on this by specifying that they would like to see a calculator that could retrospectively compare a recent bill with what they could have been paying on the best available alternative offers.
 - ◇ Similarly, a few thought it would be good to be able to enter information about their household and get an indication of what the best available deals would be for a household like theirs.
 - ◇ Some were concerned that the commercial comparison equivalents may not yield the best market offer, as they were conscious that they did not represent the full suite of energy companies and offers, and that these site providers may be making a commission from the retailers they promote.
- ◆ Another frequent desire was for help with understanding the confusing myriad terms and metrics used by energy companies.
 - ◇ Some participants wanted enforced standardised terms to enable easier comparisons between energy plans – they wanted to be able to compare ‘apples with apples’.
 - ◇ Some wanted glossaries, seminars or webinars to educate themselves.
 - ◇ Indeed participants generally acknowledged that there is some onus upon consumers to self-educate, while some added that they don’t even know what questions to ask because it is all so confusing trying to compare offers, and much of the terminology is like a foreign language to them. Thus they would appreciate some guidance on what sorts of things they should be looking for when comparing offers.
 - ◇ Participants also wanted more meaningful metrics and/or help understanding existing ones, often citing the relative ease of grasping data usage in telecommunications compared with not even knowing what a kWh is, or what different types of tariffs there are (and why), for example.
- ◆ Other tools and tips suggested included advice, checklists and how-to guides for saving energy, investigating and switching options, and negotiating better deals with retailers. These were largely seen as part of the government’s remit.
 - ◇ Some believed retailers should also provide such tools as part of their competitive offering in the market. Even though some thought the concept would in some ways be a conflict of interest for the retailers, a few felt this might convey a sense of customer care and conviction in their offering.
- ◆ Some participants thought it would be helpful to be able to access subsidies and other forms of financial assistance to access more energy-efficient appliances.
- ◆ Issues of consumer protection were also raised by a few, with suggestions that energy prices should be better regulated by government, discounts and concessions should be better advertised and exit fees from contracts should be abolished.

SUPPORT SERVICES FOR CUSTOMERS *CONT'D*

- ◆ **The government was unanimously viewed as the most reliable and credible source** of this sort of information and support, with some participants also mentioning independent bodies, current affairs shows and Choice.
 - ◇ There was a strong distrust of door-knockers and cold-calls from retailers, with many participants having had negative experiences with them in the past – e.g. pushy behaviour and concerns about them not being willing to leave information behind for consideration, requiring a decision on the spot, and incorrect information being provided.
 - ◇ However, some mentioned they didn't mind commercial comparison services despite their commission structures.
 - ◇ Some wanted to see consumer review sites on energy companies, e.g. like a Whirlpool forum. We note that such a site exists but was not mentioned by participants (productreview.com.au).
 - ◇ There was also some interest in home visits from independent consultants offering information about how to find, understand and compare energy offers. This was of most interest to older people who don't use the internet or lack confidence in doing so, as well as those with lower literacy levels.
- ◆ **Participants suggested a range of methods for delivering this information and support.** These ranged broadly, ordered here from the most to least mentioned:
 - ◇ **The internet** was largely seen as the most important channel, with a keen desire for an independent government online resource for finding offers and information, as already noted without prompting.
 - ◇ Many participants thought there should be **mainstream media advertising** to prompt people to regularly check whether they are on the best deal and direct them to the independent comparators and other information sources. Participants expected such a campaign would use a wide variety of channels including TV, online banner ads, social media ads, flyers in the mail, magazines, billboards and stands at local community events.
 - ◇ **Personal contact.** Brokers, hotlines and drop-in shops were seen as important alternatives, whether run by government or industry.
 - ◇ **Community centres** such as libraries and Centrelink were cited as potential hosts of brochures and/or energy consultants, though there was some doubt about Centrelink's ability to resource such a service. Also, many participants pointed out that they don't tend to go to Centrelink's offices anymore and instead use the website, so they stressed that information should be available there too.
 - ◇ The idea of **compulsory information about the government comparison sites** being required on energy bills and retailer websites was also often raised. Some participants added that a retailer doing this proactively could demonstrate its belief in its offerings – and could even prompt retailers to become more competitive.
 - ◇ **Online video tutorials** were also suggested by quite a few – e.g. short YouTube clips focusing on different parts of the 'story' about the energy market and how to get the best out of it.
 - ◇ Others suggested more **proactive government action**, such as sending brokers to community centres and suburbs to offer one-on-one meetings to help people understand their options and how to compare and switch. Some likened this to visits they had recently received from people offering energy efficient appliances such as LEDs on behalf of the government.
 - ◇ **Local councils** were also seen to have a role to play in disseminating information, via existing publications or in physical locations. Some participants thought it was a natural channel for providing information about how people can find out about their energy options – e.g. promoting the government comparison sites, consumer review sites, YouTube clips etc.
- ◆ Many participants who had switched also pointed to the importance of emphasising how easy it is to find a better offer, particularly in terms of the minimal effort and time required. Several also found the cooling off period to be a definite advantage to them in the process.

SUPPORT SERVICES: VULNERABLE CUSTOMER SCENARIOS

While many of the responses in the preceding section were relevant to all consumers, participants were also asked to provide specific examples of support for the following scenarios, eliciting suggestions that were more specific to the experiences of vulnerable customers.

Renter with high energy bills who can't afford more energy-efficient appliances

- ◆ Tax rebates for landlords or retailers to provide discounts for new appliances, or subsidies direct from manufacturers
- ◆ Interest-free loans from government or charities for rebates on new appliances
- ◆ Assistance with identifying sources of high energy consumption in household – including interpreting previous bills
- ◆ Solar lease, installation arrangements
- ◆ Energy-saving tips or information on support available from government, via Centrelink, retailers and/or industry groups
- ◆ Free or subsidised energy efficient appliances from the government (e.g. showerheads, light globes, switches)

Elderly person who doesn't use a computer or have access to the internet

- ◆ Information in the mail from government – e.g. brochures, booklets, flyers
- ◆ A government-led service to educate, inform and help them step through the process of investigating – via telephone, face-to-face and/or community seminars
- ◆ Retailers offering the option to speak with a consultant via telephone, a drop-in store or requesting a home visit to explain their options and help check for the best deal
- ◆ Information from community leaders and centres, including local councils, local MPs, libraries, supermarkets, carers, GPs, RSL clubs and churches
- ◆ Encourage the public to provide support to elderly relatives and neighbours

Single parent who is working part-time and doesn't have much spare time

- ◆ Information and discounts offered by government or retailers – promoted via websites, brochures and/or Centrelink
- ◆ Consumer testimonials or reviews online (including via social media), as word-of-mouth advice is trusted and preferred
- ◆ Independent comparison websites, along with mandated standardisation of terms used within industry
- ◆ A government-led service to provide information and identify offers, perhaps via seminars or webinars
- ◆ Flexible support from retailers for busy parents such as after-hours telephone services (Newgate would also suggest 24-hour online 'live chat' support)

Someone with a family of six people in the household that uses a lot of energy

- ◆ Ideas from both government and retailers for changing family energy use behaviour – tips, tricks, challenges or games to reward shifts in consumption
- ◆ Government subsidised discounts on new appliances, energy-efficient globes or technologies such as solar panels
- ◆ Retailer-provided discounts for high-volume users or longer-term contracts
- ◆ Independent comparison websites and information from government, including community education seminars

Recent migrant to Australia who doesn't know much about the energy market

- ◆ Information from government, community or charity organisations – including Centrelink, case workers, community centres and local MPs
- ◆ Information to be provided in multiple languages, including printed material and comparison websites
- ◆ Information to be provided by default by landlords and real estate agents
- ◆ Energy consultants funded by the retailers
- ◆ Mainstream and social media advertising

Someone with a fixed payment plan and debt, whose income is from Centrelink

- ◆ Government assistance, including offering to help manage debt and set up direct debits from welfare payments
- ◆ Government or charity-led energy education forums in community centres
- ◆ As a general action, vocational training and employment support from government and charities to help improve income
- ◆ More prominent advertising of available discounts and rebates by government and retailers

SUPPORT SERVICES FOR CUSTOMERS CONT'D

SELECTED QUOTES

"I think they should put information about electricity use in the school curriculum – and also workplaces, libraries, community centres." (In-depth Interview)

"An industry body or authority needs to provide an 'apples with apples' comparison tool and establish some standard terminology to avoid the deliberate confusion generated by the marketeers." (Online Forum)

"I believe it is up to us as consumers to find what plan is best for us, but energy companies need to make it easy for us to understand what they are offering. Each energy company should spell out what 'tariff 11', 'tariff 33', 'off peak', 'shoulder', etc. mean. That way consumers can compare apples with apples." (Online Forum)

"With someone like my parents, they want to see information in front of them because they get all muddled with information over the phone and they don't even know how to turn a computer on." (In-depth Interview)

"I found it quite easy to switch when I actually did it, so my advice to anyone would be that that the process isn't as big a hassle as it seems. Making people aware that it's neither a legal case or a divorce might encourage more people to consider it if they find even a marginally better deal." (Online Forum)

"The Energy Ombudsman needs to be given some teeth. Why should it have to come to a class action to make things a bit fairer? There are plenty of elderly, sick, inarticulate over-occupied and otherwise vulnerable people out there who are predated upon." (Online Forum)

"I think there should be a standard format across the board on the ways in which the pricing is calculated." (Online Forum)

"Offices that you can actually go into and see someone face to face would be good. People like to deal with people, not just a first name at a call centre." (Online Forum)

"The internet company would say, 'Are you on the right plan?' Mobile companies, too: 'We notice you're still on an old Optus plan. Would you like to move here?' Why can't the energy companies do this, too?" (In-depth Interview)

"Door to door sales reps and cold calling to switch companies should be illegal because of the deceptive way that some companies undertake it, particularly taking advantage of the elderly and those unable to understand what is going on." (In-depth Interview)

"With internet, I have a very good idea as to what a gigabyte constitutes in terms of what I stream or download. Looking at things like kWh is so abstract by comparison, as is peak usage and other terms associated with using power." (Online Forum)

"I have found the comparison sites that I have used to only recommend suppliers they tend to get some form of commission from. I think that the government should provide an unbiased view of the total market so that people could have some faith in the options available to them." (Online Forum – prior to being shown government comparison sites)

"I use to work nights and was extremely time poor. Just getting the time to be able to call them is sometimes difficult. Once you do call, being on hold for 20 plus minutes isn't going to help the situation." (Online Forum)

GOVERNMENT COMPARISON WEBSITES

THE GOVERNMENT WEBSITES ELICITED WIDESPREAD SURPRISE AND DELIGHT, WITH PRAISE FOR EASE OF USE AND HIGH LEVELS OF TRUST IN THE RESULTS

Following open-ended discussions of potential support services and information sources for consumers, participants were introduced to the government comparison website for their state (Victorian Energy Compare in VIC, Energy Made Easy in QLD, NSW and SA). They were asked to conduct a search query to explore and understand their reactions, user experiences, search results and any suggestions.

- ◆ Virtually none of the participants had heard of the government comparator sites – though the *idea* had been frequently raised without prompting in earlier discussions. Indeed, some even thought the website presented to them was a beta test.
- ◆ Reactions to the existence and user experience of the sites were overwhelmingly positive. Most participants spoke of how easy it was to understand and use the sites, with the layouts praised as relatively clean, simple and superior to commercial equivalents.
 - ◇ The perceived legitimacy and independence of the government websites helped to boost confidence in the search results. Participants very much appreciated not having to enter contact details, unlike commercial comparator sites that often followed up with numerous sales calls and emails.
 - ◇ After being introduced to the relevant government website and trialling its features, most said they would use it and recommend it to family and friends. Indeed, some online forum participants had already recommended it overnight. There was a strong sense the sites should be widely promoted to raise awareness of them.
- ◆ The presentation and level of information within the government comparators was well received by most participants.
 - ◇ Some noted the ease of using the tables and fact sheets, though a few still found these difficult to decipher – with a few concerns around the complexity of information presented.
 - ◇ Indeed, while many enjoyed the comprehensive information and search results available, there appeared to be general limited understanding of some basic terms and concepts – though this is not unique to vulnerable customers. A common question was, “What is a kWh and what does it mean for me?”.
- ◆ Certain terms and input fields caused uncertainty among many participants; particularly “controlled load”, tariff types and the number of rooms (often interpreted as bedrooms). This led to the common practice of guessing, which has the potential to undermine the relevance and accuracy of the search results.
- ◆ The annualised cost estimates were highlighted by a quite a few participants as being incongruous with how they thought of their own bills, particularly with seasonal usage, making it a bit harder for them to trust the accuracy of the search results.
- ◆ A few needed help with navigation and scroll-down prompts, and some were unsure what specific types of appliances they had.
- ◆ Most participants overwhelmingly tended to trust the government website more than the commercial alternatives.
 - ◇ A few were cynical about the suggested offers regardless of the source of information, while a small minority said they trusted the information they had received from the commercial sites more.
 - ◇ Some participants expressed apprehension regarding offers from lesser-known retailers, including concerns about their service reliability and financial viability. Suggestions for improving confidence included retailer advertising and incentives, consumer testimonials and forums, consumer protections (e.g. cooling-off periods), and ratings systems.
- ◆ Participants were also asked to compare offers with their latest bill.
 - ◇ There was a mix of those already on a better deal and those who found a better deal. The former tended to feel vindicated, while the latter ranged between delight and sadness (at foregone savings).
 - ◇ Some would still not switch, expressing fear of the unknown, insufficient potential savings, or circumstances such as moving house in the near future.

GOVERNMENT COMPARISON WEBSITES CONT'D

SELECTED QUOTES

"This is great because it tells you what you get and what you don't get. That's great! Be up front. It has disconnection fees, reconnection fees – it's a great website. I could trust this as much as I could trust anything – but from this, I'll still go to the company itself and get it from the horse's mouth." (In-depth Interview)

"I have recommended it to my friends – I loved it so much!" (Online Forum)

"I liked this site better as it was easier to use and gave information when you are not sure on a point." (Online Forum)

"Wow! That's so user friendly. It's bold and simple. The options it provided are straightforward. It's a great comparison site. I'd use that over any other sites. I'd also recommend it to other people." (Online Forum)

"I have already shown my mum and she is showing her friends, so that can only be a good thing!" (Online Forum)

"I liked that I didn't have to put in personal details like I did with the non-government comparison sites. The clean presentation of information and the way it is sequenced is much more logical, even than the other commercial websites. I didn't feel like information was being deliberately hidden from me." (Online Forum)

"I knew we weren't on the best deal, but I've been lazy. Probably the minute you leave, I'm going to have a play with this – look through the deals and call some of the companies. Maybe take this around to my parents' place as well." (In-depth Interview)

"I have got no idea what they mean by 'controlled load' – everyone is using different language!! Where on my bill does it talk about 'controlled load'?!?" (Online Forum)

"This site seemed good as it lists all providers, whereas other sites seem to favour particular providers." (Online Forum)

"The smoke and mirrors department is noticeably absent. Excellent! Then there are the tools and tips; education – who'd have thought?!" (Online Forum)

"I'd expect the information to be updated monthly. I'd be disappointed if I went to the company and details were different, out of date." (In-depth Interview)

"Most people may not be aware of this website at all, so the government should push this more and more." (Online Forum)

"I didn't like that it gave me an annual estimate – for example, dryer use is seasonal. It should just tell you what other providers would have charged for the same bill." (Online Forum)

"Does anyone read the terms and conditions?!" (In-depth Interview)

RETAILER INCENTIVES FOR SWITCHING

POPULAR INCENTIVES INCLUDED DISCOUNTS, BILL SMOOTHING, NO CONTRACTS

Participants were asked to consider types of incentives and initiatives that might entice consumers to investigate and switch their energy provider or plan. However, it became apparent that this concept tied strongly with concepts of brand, loyalty and retention – going beyond tactical marketing efforts to deeper issues of trust and reputation.

- ◆ Price-related incentives and savings were the most popular by far.
 - ◇ Apart from outright competitive rates, **pay-on-time discounts were overwhelmingly the most popular** incentive that vulnerable customers thought retailers could offer. It is worth noting that mixed views existed regarding such discounts, with a few participants feeling it would be meaningless as they could rarely if ever afford to pay an entire bill on time. A few wondered if a reward or discount for paying *agreed* amounts or instalments on time might be possible.
 - ◇ Many thought **bill smoothing and flexible payment arrangements** might help entice them to a retailer – particularly if the retailer actively promoted these or offered to transfer similar arrangements from another provider. As noted, some participants spoke of being tied to retailers by existing debt, or experiencing poor service when seeking help, exacerbating inertia and existing feelings of embarrassment. They felt that alternative payment options should be offered readily (and proactively if it appears the customer needs help), efficiently and without judgement. Indeed, some suggested retailers should be *required* to promote and provide clear explanations of their payment arrangements for those having difficulty, and that this could be a feature on the independent comparison site.
 - ◇ Concepts of **loyalty rewards** were frequently raised, with suggested incentives including cumulative discounts over time and policies where retailers automatically switch customers to their best offer.
 - ◇ Most also thought **deals with no contracts or exit fees** were highly attractive, providing a sense of security that should the offer be a 'dud' (as some had experienced), they would not be penalised for taking their business elsewhere. Several also spoke of this in a different way, citing waived connection fees or sign-up discounts as being an attractive potential differentiator.
- ◇ There was solid interest in the idea of energy companies offering **payment plans and lease arrangements for solar panels** and energy-efficient appliances (particularly for renters, including landlord liaison), to provide both cost savings and environmental benefits.
- ◆ Several participants also suggested service-related incentives to give them a greater sense of control and knowledge.
 - ◇ Online portals, electronic bills and real-time monitoring apps were suggested as ways of more proactively managing energy use and bills.
 - ◇ Easier to understand bills, terms and how to switch guides were also viewed favourably – indeed, a couple thought retailers could also offer these as a point of difference.
 - ◇ Some dual fuel customers thought it would be good service for retailers providing both electricity and gas to provide a combined bill and proactively offer to apply any changes made for the electricity account to their gas account (e.g. bill extensions, payment reminders or payment plans).
- ◆ Retailer reputations were important to many participants.
 - ◇ Word of mouth recommendations regarding rates and customer service were cited frequently as reasons for switching or investigating energy offers, while overall retailer brand and reputation lent credibility and confidence to considering offers. As a result, quite a few noted consumer testimonials and advertising could be powerful incentives to switch.
 - ◇ Sustainability and ethics were also considered attractive potential differentiators by some participants, with fairly frequent mentions of green or ethical businesses holding appeal.

RETAILER INCENTIVES FOR SWITCHING CONT'D

MIXED FEELINGS ON BONUS PERKS

- ◆ There were mixed reactions to bonus incentives and perks such as gym membership discounts, movie vouchers and frequent flyer points – split primarily along gender lines.
 - ◇ Most of the male participants viewed such incentives as superfluous or even deceptive, preferring direct discounts instead. In the view of a couple of male participants, any incentives should relate directly to the provision or use of energy.
 - ◇ However, some of the female participants welcomed such incentives, offering examples including gift cards, movie tickets, fuel vouchers, restaurant vouchers and gym discounts. These participants liked the idea of being rewarded and treated for a service they needed regardless of cost.

“Looking at the various deals, I'd see if they'd bundle gas and electricity. How about one bill for everything? That'd be great! The bill doesn't say that we have payment discounts. It doesn't even say how much is due with the overdue notices – we have to call to find out. And why can't they send us a reminder for both bills, or proactively offer to set us up on the payment plan for the gas bill as well? Surely they can see on their screen that we're a gas customer too when we're talking to them. And they always debit the day before our bill is due, which overdraws our account – we've asked for this numerous times.” (In-depth Interview)

“A lot of the discounts and offers are for if you pay your bill on time and there's no way I could do that – it's not a big bill anyway.” (In-depth Interview, 'Working Poor')

“I know some do pay-on-time discounts. That's good if you can afford to pay in one go – a lot of the time these days, it's fairly hard to pay a \$500+ bill in one go.” (Online Forum)

“Coupons to different things like restaurants and entertainment would be appealing.” (Online Forum, Female)

“A \$50 Myer voucher might be great, but it's better if it has something to do with the company.” (In-depth Interview, Male)

“I think that 'bonus offers' such as gym memberships are actually unhelpful as it may seem gimmicky – I would rather my electricity provider provide electricity. An equivalent amount being rebated would be attractive, and could provide a good advertising program. As in, 'Would you like to have this much money to spend on a gym membership, magazine subscription, ballet lessons, art classes, massages, etc. - well now you can, because when you join with ___ energy we will rebate you \$___; so you can spend more on what matters to you.’” (Online Forum, Male)

“Something that really makes it worthwhile - 10% doesn't seem like that much, but it works for things like pay-on-time discounts.” (In-depth Interview, Mid Income)

“As a renter, lock-in contracts are an awful thing. I am currently in a rural setting. Would I be stuck on the rural contract if I moved back to a metro area?” (Online Forum)

“I like the idea of no lock-in contracts. I don't know why as I often stay with the same companies for a long period – I think it gives me the feeling that they've got nothing to hide, that they're giving you the best price and if not, you can just leave.” (Online Forum)

“An offer to install solar panels in my property would be the best incentive they could give me to switch over. I can then buy the energy from them.” (Online Forum)

APPENDICES

1: In-depth Interview Guide

2: Online Community Discussion Guide



NEWGATE
RESEARCH

APPENDIX 1: IN-DEPTH INTERVIEW GUIDE

AEMC 2016 Retail Competition Review - In-depth Interview Guide: VC January 28, 2016



The following interview guide is designed to assist the facilitators in exploring and understanding customers' knowledge, experiences and expectations of the retail energy market. The questions are provided as a guide, while participants may raise additional topics for discussion. Accompanying this document are some information sheets and worksheets. The key questions are shown in bold, with the additional probing questions only asked as required, and as time permits.

Introductions 5 mins

Objective: Set the scene for the discussion, make sure participants are comfortable with the process.

- Thank you for agreeing to participate in this research. I'll run through some background briefly.
- [Introduce self and note-taker.] We're from Newgate Research, which is an independent, quality accredited market and social research company.
- Today's discussion is part of a research study we're conducting for the Australian Energy Market Commission about a range of energy-related matters. We're doing a number of these interviews and some online discussions to help the Commission and the energy industry better meet the needs of customers.
- The session will go for around **one hour** depending on your responses and how much you have to say. It will mostly be an open-ended discussion but I do have a few rating questions as well. If you would like any other household members to participate or help you respond to any of the questions that's fine too.
- As you know, your participation is **completely confidential**, which means none of your identifying details will be included in our report. Newgate Research is a member of the market research industry associations and operates under very strict privacy laws.
- If there's anything **you don't know the answer to that's perfectly ok** and an important finding in itself so please don't be shy, just say so. If you're uncomfortable discussing anything at all that's also fine. I also encourage you to **ask me questions** if you're not sure about something I've asked you, or if there's something about the topics we're going to be discussing that you'd like to know.
- Sometimes I'll also just check with you to make sure I've understood properly what you're telling me.
- Are you ok if I take an audio recording of this discussion, just in case we don't catch everything in our notes and need to check back on what you've said? The recording will not be provided to the client or any third parties. **TURN ON RECORDER**
- I just want to check that you have your most recent electricity [and gas] bill with you, we'll refer to it later on. I'll let you know when it's time. [It's ok if they don't have it – just skip the section.]
- **To start, I'd like you to tell me a little bit about yourself – e.g. what you do during the day (and if you go to work, what sort of work), who lives here with you etc?**
 - How long have you lived here for? Are you renting or do you own the home (mortgage/outright)?
 - **How interested are you and your household in issues to do with energy? How much of a priority is energy in your household compared with everything else?**
 - Has your interest changed over time? Why do you think that is?
 - In a very general sense in life, how willing are you to take risks? (Scale: 0=not at all, 10=very willing.)

Energy Use, Provider/s and Satisfaction 8-10 mins

Objective: Understanding the experiences and outcomes for vulnerable customers including their household's energy use, their retailer/s, perceptions of energy retailers, how the participant came to be with their current retailer.

- To kick things off, I'm interested to know a bit about **your energy use** here...
 - **Do you have mains gas or just electricity? (Regional areas: do you use bottled gas?)**
 - **How would you describe your household's energy use? (If necessary explore if low, medium or high and high-level reasons) Do you know much about your usage? How?**

- Do you do anything to try and reduce your energy use? Why (e.g. save money, environment)? How hard / easy is it? What sort of difference does it make to your bills?
- How often do you get your electricity (and gas) bills? Do you tend to keep track of your bill amounts? How do you prioritise paying these bills over other bills?
- Are you on any special payment arrangements? **IF YES:** Which ones and for how long has that been in place? How often are you late paying, or do you miss paying the energy bills?
- **Which energy company/ies are you with?** How long have you been with them?
 - How much do you trust your current energy company/ies to do the right thing by you, using a 0-10 scale where 0 means you do not trust them at all and 10 means you trust them completely? What makes you feel that way? Examples of what 'doing the right thing' means?
 - **Do you get value for money from them?** What does that mean to you?
- And what do you think about **energy companies in general?**
 - Do you know if there are lots or just a few? Are some better or worse than others?
 - **How do you tend to find out about things to do with energy companies?**
 - Which sources do you trust the most? And the least? *Explore reasons.*
- **Coming back to your own company/ies, I'd like you to talk me through how you came to be with your current electricity company. Please step through the process and what you thought about that.**
 - *Explore as necessary, with minimal prompting at this point: how long ago this was, who was involved in the process, whether any decisions needed to be made (and what sort). For each aspect of the process, explore what they thought about it.*
 - Did you have a **choice** in which company/ies you use? **IF YES:**
 - I'm interested in understanding why you decided to choose that company; please tell me about that.
 - Did you know about any other companies at the time?
 - Was there anything that helped you to make your decision? Was there anything that made it harder?
 - **Are you on any particular sort of contract or plan or offer?** What are the reasons for that? Did you have a choice in that? How did you decide what to go with? Do you know if you are on a standing offer or a market offer? When does your contract / arrangement expire, if at all?
 - **IF HAS MAINS GAS, REPEAT EXPLORATION OF PROCESS.**

Knowledge and Perceptions of Choice 5-7 mins

Objective: Understanding knowledge and awareness of being able to switch energy companies and plans.

- **Just to clarify, when I say 'energy' today, I mean both electricity and mains gas.**
- **Do you know what sorts of choices are available to energy customers in relation to energy companies, if any? PAUSE. Prompt if necessary:**
 - Can consumers choose which company they get their electricity or gas bill from?
 - Do you know how many companies you can choose from?
 - There are a few companies with lots of customers. Why do you think they attract so many people?
 - Can consumers choose from different plans, arrangements or deals from the same energy company?
 - What sorts of choices are there?
 - Do you know the difference between a standing offer and a market offer e.g. which would be better?
 - Do you know if there are any consumers who don't have the option to choose different energy companies or plans? *Briefly explore understanding and why they think that's the case.*
 - Do you know if these sorts of choices have always been available?
- **How have you heard about these things? (Briefly explore information sources.)**
- **What do you think of the choices that are available to consumers?**
 - Is there too much, not enough or about the right amount of choice? What makes you feel that way?

APPENDIX 1: IN-DEPTH INTERVIEW GUIDE *CONT'D*

- Are the choices available generally good ones, or not that meaningful or relevant to you? Why?
- Just to clarify, consumers in this state do have the option to choose different energy companies and from different plans, contracts or offers with the same company. I'd like you to think about the various energy options and offers that might be available to you. I'm going to ask you a few questions about your confidence now, using a 0 to 10 scale where 0 means not at all confident and 10 means extremely confident. Don't be at all shy if you're not confident – or even really confident. So, **how confident are you that...** [EXPLORE REASONS FOR EACH RATING]
 - You are currently with the best energy company/ies for your needs?
 - You are currently on the best arrangement with your energy company/ies for your needs?
 - You could find the information you would need if you were looking for the best company, plan etc?
 - You would be able to choose the option that is best for your household?
 - You would be able to easily switch to the best company or plan for your household?

Engagement with Retailers and Switching Experiences

10-15 mins

Objective: Understanding the levels of engagement with retailers, including previous experiences (negative and positive) and proactive marketing approaches. This also includes the drivers and barriers to engaging with the competitive market and investigating options i.e. lack of knowledge, interest, time, skill, and/or technology.

- **Interest in investigating:** Some people are interested in looking into their options to buy electricity or gas from different energy companies, or different plans etc, and some aren't interested at all. Using a 0 to 10 scale where 0 means not at all and 10 means extremely interested, how interested are you in looking into whether there might be better options for your household? *Explore reasons.* Would you say you've become more or less interested over time? Why is that?
- **Approaches from energy companies:** Over the last 12 months, have any energy companies directly approached you offering to sell you electricity or gas, or offer you different deals, contracts or plans? This includes your own energy companies.
 - IF YES, EXPLORE: I'm interested to know a bit more about this... Did many contact you? How?
 - Have you seen any advertising about switching at all? Tell me a bit about that (when, who etc.)
- **Switching activity: Regardless of whether you made a change or not, when was the last time you actively looked into different energy companies, offers or options you could potentially switch to?**
 - IF EVER ACTIVELY INVESTIGATED: **How often** do you investigate options and offers? The last time you looked, did you make a change – e.g. to a new company, or plan etc? **SKIP TO RELEVANT BOX BELOW**
 - IF NEVER, ASK QUESTIONS IN BOX BELOW THEN GO TO NEXT SECTION:

ASK IF NEVER ACTIVELY LOOKED INTO SWITCHING

- I'd like to talk with you in a bit more detail about why you haven't actively looked in to changing to a different electricity company or changing the plan you are on.
- Are there any reasons you haven't investigated different options or why you haven't changed your energy company or plan? *Prompt if necessary e.g.: not confident to look into it, worried that concessions or payment arrangements wouldn't be transferred and you'd have to set them up again, or they may not even be available, too hard to understand, no time, too many other things to worry about, don't trust energy companies, savings wouldn't be worth it. Any particular concerns or worries either about looking into the options or switching? Past negative experiences?*
- What do you think might prompt you to look into your options and see if you could find a better offer, if anything?
- How much do you think you could save by switching electricity company or changing your plan? How much would you need to save to seriously consider switching? Or are other things more important than this?
- Why do you think other people change their energy company or arrangement with the same company?
- Likewise, do you have ideas why some people look into switching but then don't make any changes?
- How would you go about looking for information about your options if you were to do this?
- What are the key things you'd be considering and weighing up if you were to compare different offers? What would you really want to know?

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- What if there was some kind of service, like information or someone to help you consider your options? Would that make you more interested or comfortable in looking into this? Who would you trust?
- Do you think if an energy company approached you directly to sell you electricity or gas, or offer you different deals, contracts or plans, would this help you to switch? How would you prefer that they do this?

ASK IF ACTIVELY INVESTIGATED OPTIONS BUT DID NOT SWITCH

- I'd like to talk with you in a bit more detail about you actively looking into different offers or options that you could switch to, but then ultimately deciding not to switch.
- What was it that prompted you to start looking for a better plan or deal in the first place? Could you talk me through how you went about looking into it?
 - How long did you spend?
 - What information sources did you use? Which ones were the most and least useful?
 - How would you describe the information you found or were given?
 - Were you considering a number of companies or different plans to switch to? How did you shortlist?
- How easy / difficult was it for you to compare the different offers when deciding whether or not to switch? Why?
- What are the specific things you were considering and weighing up when comparing different offers?
- What was the main reason why you investigated different offers and options but didn't end up changing? What other reasons were there? *Explore fully.*
- When you looked into it, how much did you think you could save? Was that not enough to switch? How much would you need to save to seriously consider switching?
- Is there any form of help you could have had that might have made you decide to switch? For example, someone helping you or explaining things to you? Who would you trust?
- If an energy company approached you directly, would this help you switch? How would you prefer they do this?
- Are you satisfied with your decision not to switch? Why? Do you have any regrets?
- How long do you think it will be before you look into changing plans or energy companies again? Why?
 - How often do you think people *should* do this? Even if it's just to see if their deal needs refreshing?
- Why do you think some people don't look into switching even though they could get a better deal?

ASK IF SWITCHED ENERGY COMPANY OR PLAN/DEAL

- I'd like to talk with you in a bit more detail about why you switched to a different electricity company / deal and your experience doing so.
- What was it that prompted you to start looking for a better plan or deal in the first place?
- What information sources did you use? Which ones were the most and least useful?
- Were you considering a number of companies to switch to? How did you shortlist?
- How easy / difficult was it for you to compare the different offers when deciding whether or not to switch? Why?
- How long did you spend looking into your options? How long did it take you to switch?
- What are the specific things you were considering and weighing up when comparing different offers?
- Thinking about the last time that you switched, what was it that made you switch exactly? Was there something in particular that the new company / plan offered you? *Explore fully and RANK factors in order of importance.*
- How did you feel about the switching process itself? Was any of it different from what you expected?
- Are you happy that you switched? What are the reasons why? Any regrets regardless?
- How much money did you expect to save? Is that what you ended up getting?
- Would you recommend switching to other people? Why/why not?
- How long do you think it will be before you look into changing plans or energy companies again? Why?
 - How often do you think people *should* do this? Even if it's just to see if their deal needs refreshing?
- Why do you think some people don't look into switching even though they could get a better deal?
- Likewise, do you have ideas why some people look into switching but then don't make any changes?

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APPENDIX 1: IN-DEPTH INTERVIEW GUIDE *CONT'D*

ASK ALL... (Time permitting only)

- Some people have said it's easier to switch banks or mobile phone companies than energy companies. What do you think? Why do you think they'd say that?
- People switch less when prices are going down (such as now), however there is more to save in switching when prices are declining. What do you say to this?

Unprompted Awareness and Expectations for Support and Assistance 7-10 mins

Objective: Explore awareness and ideas for supporting customers to participate in the market and find the best deal for them.

- How important do you think it is for **everyone to be made aware** that they have the option to choose from a range of energy companies, plans and deals, if at all? What makes you say that?
 - Whose responsibility is it to tell you this information? Should the government tell people, or energy companies, or do consumers have a responsibility to go and find out this sort of information for themselves? What is the balance of responsibilities?
- Do you know if there is **anything available to help people find out about the options** available to them?
 - **IF YES:** What are the things you're aware of?
- Similarly, do you know if there is **anything available to help people actually switch** to a different company, plan or deal? What are you aware of?
- How important do you think it is for **everyone to be made aware of the concessions and hardship provisions** that are available from each of the energy companies? What makes you say that? Do you think that might make people more comfortable to switch companies or plans? Whose responsibility is it to make sure people know?

Ideas...

- What sort of things do you think would **make it easier** to find out about energy options available?
 - This could be **anything** at all, no matter how small or seemingly impossible. All ideas are welcome.
 - What do you think could be done to **help people who are specifically having difficulties** paying their energy bills to find out about the options available to them?
 - Is there a certain type of information or form of education that might help?
- Likewise, what ideas do you have for things that **could help people actually change to an energy plan that better suits their needs? What about specifically for people having difficulty with their energy bills?**
 - Prompt for reactions to ideas if necessary: a phone service where the operator takes you through your options, a website where you can compare your options yourself (e.g. independent government or commercial sites), a booth at a shopping centre or community event, a drop-in store.
 - If someone was helping you, what would you like them to do – e.g. explain what's involved in switching, the things you need or should take into consideration, help you to actually switch to a different offer etc?
- Incentives: What ideas do you have about the sorts of energy options that could better meet the needs of your household, or others like yours?
 - Prompt: This could be types of companies or plans, deals, incentives, discounts or arrangements?

Roles and communication...

- Who would you **trust most** to provide support or information to help with comparing energy deals?
 - Prompt if necessary: energy companies, an energy industry body, a government organisation (which one/s)? And particular organisations? Centrelink? Spokespersons?
 - Who would you trust least? Explore reasons.
- Thinking about these ideas, what do you think would be some **good ways to let people know about these things**, if they were available? What could be done to make it really attention-grabbing? Who should promote it?
 - Explore channels – e.g. traditional advertising, phone calls to customers, specific websites (e.g. government or commercial sites), social media, Centrelink etc.

Understanding of Bill, Plan and Associated Costs [TIME PERMITTING & IF HAVE BILLS] 5 mins

Objective: Explore participants' understanding of their bill and collect information from the bill for analysis purposes.

- Now I'd like you to find a few things on your most recent electricity bill...
 - Ask to record details from the bill (**PARTICIPANT TO FIND THE INFORMATION, INTERVIEWER TO ENTER INTO WORKSHEET, ALSO NOTING THE RETAILER**): Type of contract / plan, total bill amount, any discounts applied (**NOTE WHAT TYPE OF DISCOUNTS**), total energy use
 - Note how hard / easy it is and how long it takes for the participant to find the information and ask them about this as well – including how often they look at any of this.
 - Take photo of bill (both sides) with participant's personal details covered up.
 - **TIME PERMITTING, REPEAT FOR GAS BILL IF THEY HAVE MAINS GAS**
- Having had a look at your bills, does this give you any more ideas for how customers could be better supported to find out about the energy options available to them, and to choose the best one for their situation?

Reactions to Online Information and Support 10 mins

Objective: Understanding reactions to online support and assistance available to help consumers consider their energy options.

- **ASK AS APPROPRIATE:** Have you ever used the internet to find out about your energy options? Would you do that? What would you look for?
- Have you ever heard of the independent government comparator website called [**NSW: energymadeeasy?** / **VIC: Victorian Energy Compare?**]?
 - **IF YES: Have you ever looked at or used it? Where did you hear about it?**
- Do you happen to have a computer with an internet connection here? If so, it would be good to show you some things and see what you think. **RELOCATE TO COMPUTER IF NECESSARY**
- Firstly, how would you start trying to find out what your options were?
 - **SAY TO ALL:** I'd like you to find that website [**NSW: energymadeeasy?** / **VIC: Victorian Energy Compare?**], have a look at it for a couple of minutes and tell me what you think of it. Please just talk out loud everything you think of as you're looking through the site.
 - Explore reactions, prompting and probing as necessary...
 - What made you look at / click on that?
 - What do you like/dislike about this? Is it easy or hard to use?
 - Does it have what you thought it would? Anything missing that might help customers decide?
 - Is it clear/ unclear? What do you think the main message is?
 - Would you do anything after seeing it?
 - **How could it be better promoted so more people are aware of it?**
- Now that we've thought about some services people can use to find out about and make choices about their energy company and arrangements, I'd like you to imagine you're in charge of creating the best possible website or service that would help customers like you to find an energy deal or company that best suits their needs.
 - What would it look like?
 - What type of service would it be? Who would run it?
 - How would you tell people about it? How would you get the information out there?

Closing 2 mins

- Just in closing, what would you say is **the most important thing** that could be done for customers like you to help them find out about the energy options that are available, and to make the best choice for their household?
- Thank you very much for your time today. Please accept this money (\$80) in appreciation of your time. *Collect signature for incentive receipt.*

APPENDIX 2: ONLINE COMMUNITY DISCUSSION GUIDE

AEMC 2016 Retail Competition Review (NGR 1509005)

Online Community Discussion Guide – Vulnerable Customers

February 2016



LANDING PAGE

PROGRAMMING: Newgate logo.

Hello everyone and welcome to the online community!

A big thank you for participating. Newgate Research is running this very important research to understand your views on issues to do with electricity and gas.

We're doing these sessions for the Australian Energy Market Commission (or the AEMC for short), who are the people that make the rules on how the energy market in Australia operates. They also advise state and federal governments to help them make decisions on energy policy.

Basically, the AEMC wants to know what the industry needs to do to make sure the needs of energy consumers such as yourselves are being met. This includes understanding your experiences, preferences and ideas.

This particular online community is made up of around 20 [INSERT FOR RELEVANT FORUM: men / women] from across Australia. This means that you are effectively speaking for people like you. If you hold a certain opinion then it is likely that others do too, so please be open and honest in telling us what you really think.

Information you share will remain **strictly anonymous** – you can read more about your privacy below.

Before we kick off, please read the 'housekeeping' information below and check out this short video introduction from the AEMC, [INSERT NAME AND TITLE], [here](#).

How it works:

Days 1 and 2

- On the first two days, you will be emailed in the morning with new questions or activities. You just need to work your way through each day's questions, which should take you only around 20 to 30 minutes to complete but if you'd like to spend more time on it that would be great. Each day I will give away spot 'bonuses' of up to \$50 for great responses and insights that are new, imaginative and well thought out. We will let you know which questions as they come up.
- If possible, please try and log in twice a day: once to complete your answers and then once later on to see and respond to what others have said. As the discussion progresses, we will probably also ask you to expand on some of your responses so we can really understand your views, needs and ideas. That's very important for us. We can't assume we know why you think a certain thing.
- You'll be able to see other peoples' responses to a question once you've answered it yourself – this makes sure we get your opinions first so they're not influenced by what others have to say. If there's any parts of your responses that you really don't want any other participants to see, just let us know.
- And remember, we need you to participate in all activities on both of the first two days to receive your minimum \$80 thank you payment.

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Online Community Discussion Guide - VC

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Day 3 Live Discussion Group

- On the third day, we will be running a live discussion at:
 - 7:30pm Australian Eastern Daylight Saving Time (NSW and Victoria)
 - 6:30pm in Queensland; and
 - 7pm in South Australia
- You will receive an email on that day, and you will need to register to receive your specific login details, then you can log in at the time of the discussion.
- The discussion will run for around one hour, and if you complete this chat you'll receive an additional \$40 for your time (i.e. the full amount of \$120 for your full participation plus any bonus prizes you earn).
- This session will run like a normal live chat where everyone can see what everyone else is saying and 'talk live'. It will really bring together everything we have been discussing in the first two days and we think you'll get a lot out of it.

Making the most of the community:

For everyone to get the best out of this experience, please do chat with each other and comment on each other's posts. As we've said, we've deliberately invited a mix of people of different ages, backgrounds and locations across Australia, so we're expecting a range of different opinions on the things we're going to be asking you about. As we can't see you face-to-face or observe any nodding heads, your comments and 'likes' will help us to get a sense whether others agree with certain points that have been said or whether there are different views.

And remember: there are no right or wrong answers here. No idea is a bad idea, or too big or small! We value **all** your ideas and comments.

Who to contact:

If you have any questions please don't hesitate to contact your facilitator [Katherine Rich/Philip Partalis] via this platform. If you have any technical difficulties please email me at katherine.rich@newgateresearch.com.au / philip.partalis@newgateresearch.com.au

Your privacy:

It is important to remember that this forum is being conducted confidentially. You should have set up your profile with just your first name. This means your comments are effectively anonymous as we do not give our clients the full names of the people participating. A few people from the AEMC may log in from time to time to see how the conversation is progressing but they will not be able to see any of your personal details or interact with you at all.

Newgate Research is bound by strict privacy rules within the Codes of Practice of the Australian Social and Market Research Society (AMSRS). To view our privacy statement go to <http://www.newgatecomms.com.au/research/newgate-research-privacy-policy/>

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APPENDIX 2: ONLINE COMMUNITY DISCUSSION GUIDE *CONT'D*

DAY 1

Introductions

To start off with, we'd like you to briefly introduce yourselves to the rest of us. Here are the things we'd like to know about you:

1. Where you live: i.e. your city/suburb, town or regional location, and what state (there are people from all over Australia on here with us).
2. What do you do during the day (if you work, what type of work and industry)?
3. What type of dwelling do you live in – e.g. a house, townhouse/terrace, apartment, bungalow etc?
4. Do you rent or own (mortgage or own outright)?
5. Who lives in your home with you (if you have children, what are their ages), if anyone?
6. Is there anything else you'd like to add about yourself?
7. Would you say your household's energy use is low, medium or high?

[RESPONSE BOX] Please number your responses as per the questions above.

Your energy use

How would you describe your household's approach to managing your energy use and bills? For example...

- Do you do anything to try to keep your bills down?
- Do you have appliances that you know use a lot of energy but you still use them?
- Are there some energy uses / appliances you just can't do without?
- Regularly check your usage?
- Keep close track of your bills?
- What do you find the hardest about managing your energy use?
- Do you keep money aside, make regular payments, or delay payment as long as you can?

[RESPONSE BOX]

Once you've responded, take a look through what other people are doing: do you see anything that you think would be good to try in the future? Feel free to make comments or 'like' ideas from other participants that you think are good ideas.

[POLL QUESTION XX]

How satisfied are you with your current electricity company?

1. Very satisfied
2. Somewhat satisfied
3. Neither satisfied nor dissatisfied
4. Somewhat dissatisfied
5. Very dissatisfied
6. Don't know

Knowledge of the Market and Market Choice

Please describe what choices you're aware of that are available when it comes to electricity and gas companies and plans? How do you feel about these choices? Are there enough, too many, not enough? How relevant and meaningful are the choices?

[POLL QUESTION XX]

Using a 0 to 10 scale where 0 means not at all and 10 means extremely confident, how confident are you that you are currently on the best electricity plan/deal for your needs?

Market Activity

Tell us about whether you've looked into switching energy company plan or deal and gone on to switch, and the reasons why or why not...Please be as detailed as possible. For example:

- When was the last time you looked into offers or options from different energy companies, if ever?
- What made or prompted you to look, or why haven't you?
- What information sources have you used to find out about options/offers available? Which were the best?
- Have you ever looked but not gone on to switch company or plan at the time? Why was that?
- Have you ever gone on to switch your energy company or plan? Why or why not?
- When you signed up with your current electricity company, what are all the reasons why you chose it?

[POLL QUESTION xx]

If you've ever switched energy company or plan, the last time you did so, how satisfied were you?

1. Very satisfied
2. Somewhat satisfied
3. Neither satisfied nor dissatisfied
4. Somewhat dissatisfied
5. Very dissatisfied
6. Don't know

BONUS – Energy Use Images

Activity One: For a bonus \$20 for the contribution that is most liked by other participants and/or has the most merit, we'd like you to find a picture or two that best reflects your feelings about your experiences with energy companies and looking into different offers and options.

Once you've uploaded them, please share why you chose these image/s.

[IMAGE UPLOAD BOX AND RESPONSE BOX]

Once you've explained yours, have a look at what everyone else has posted. Comment (e.g. if you've had similar experience) and like your favourite/s or those you think are the best responses.

APPENDIX 2: ONLINE COMMUNITY DISCUSSION GUIDE *CONT'D*

Energy Bills

[RESPONSES PRIVATE]

Finally, to help with the activities tomorrow please find a copy of your most recent electricity bill and enter the following details from it:

1. What type of plan/tariff are you on?
2. Start date of most recent bill:
3. End date of most recent bill:
4. Average kWh per day for that bill period:
5. What type of discounts have been applied, if any:
6. Total bill amount:
7. Do you have any special payment arrangements?:
8. Do you have solar panels and if so what is your feed in rate?:
9. Do you have any green options?
10. Contract period and terms, if any:

[RESPONSE BOX] Please number your responses as per the questions above.

Closing for Day 1

That's all for today – we hope you enjoyed it, and thanks for your input.

Tomorrow we'll be looking at services and support that could help people find the best energy options for their situation.

Remember to check back on each of the activity / question tabs later today or tomorrow to see if we have posted any follow-up questions for you based on your responses to today's questions. And make sure you check out what others have been saying – feel free to give them a 'like' to show you agree and post comments.

DAY 2

Welcome back [name]. We hope you enjoyed yesterday, and have managed to spend some time chatting with your fellow community members.

Just so you know, people in your state can choose from a range of different plans and deals from a range of electricity companies.

Today we're going to talk about the process of choosing energy companies and what types of information, services and support could help people make decisions about their energy companies and plans.

Information Services and Support

What types of information, support and services do you think could be provided to help people:

- a) Find out about and really understand the different energy plans and offers available to them; and
- b) Switch energy company or plan?

Please think creatively about this: *no idea is too big or too small!*

For each different idea please say who you think should provide this e.g. a Government organisation (if so, which one/s), energy companies or others.

Once you've responded, have a look at what other people have said and share your thoughts on their ideas.

[RESPONSE BOX]

Finding the Best Deal

We'd now like you to spend the next 5 or so minutes searching for the best electricity deal you can find for your household. Once you've found it please take a screenshot or photo (and/or fill in the details below) to show us what the offer is and tell us about your experience. For example:

1. What information sources did you use
2. Which ones did you find most useful, and why?
3. Was anything hard to understand or compare?
4. How different was the offer compared to your current plan/deal?
5. What specifically made you think that was the best plan for you?

Please record the following information or upload an image of the best deal you found:

- Name of company:
- Plan and tariff type (e.g. flat or time of use):
- Yearly bill estimate with your current company/plan:
- Yearly bill estimate for the best deal you could find:
- Why you have chosen this as the best plan for your household e.g. price, company reputation:

[RESPONSE BOX]

[POLL QUESTION XX]

On a scale of 0 to 10, where 0 means not at all and 10 means extremely confident, how confident are you that you have actually found the best deal for your household?

APPENDIX 2: ONLINE COMMUNITY DISCUSSION GUIDE *CONT'D*

Independent Comparison Site

I'd now like you to try using the independent government comparator website for your state.

If you're in NSW, South Australia or Queensland, please go to energymadeeasy.com.au or

IF VIC: Victorianenergycompare.com.au and enter your bill details as described to find the best deal. Then tell us your thoughts about the website, for example...

1. What do you like about it, if anything?
2. What could be improved, if anything?
3. Were there any parts you didn't understand e.g. words, terms, phrases, concepts? *This could be things you were asked to enter or information you received.*
4. Was there any information you wanted to know that you couldn't find?
5. Were there things you liked better than other sites you visited or things you'd like included in this website?

Please upload a screenshot of the top plan/s and offer/s that you found or enter the following results:

- Company with best offer for you:
- Tariff type of the best offer:
- Yearly estimate for your current plan:
- Yearly estimate of the best deal you could find:
- Do you think any of the top plans you found would actually be the best for your household? Why or why not?

[RESPONSE BOX]

[QUICK POLL #XX]

Which information source do you trust more?

1. The first plan you found before looking at the government website
2. The best deal you found on the government website
3. You trust them both the same amount
4. You don't trust either of them at all

What Energy Companies Can Do (Part A)

What sorts of arrangements, plans and deals do you think energy companies could offer that would be appealing, relevant and helpful to you e.g. incentives, discounts etc.? *Please think creatively about this, no idea is too big or too small.*

[RESPONSE BOX]

What Energy Companies Can Do (Part B)

Which of the following things that **energy companies** could do, would most encourage people to switch to or stay with them, and why?

- Provide information about how to find the best energy offers and options for them.
- Provide information about how to understand and compare different offers and options.
- Provide information about how to actually switch.
- Offer discounts and special tariffs to help you save money on your energy bill e.g. discount for paying on time, time of use tariff.
- Provide incentives, discounts and free things e.g. Gym memberships, magazine subscriptions etc.
- Have a call centre that is easy to get through to and provides 24 hour support.
- Promote payment plans and special arrangements for people who are having difficulty paying their bills.
- No lock in contracts or termination fees.

- Promote the independent government comparison site.
- Other (specify).

Scenarios and BONUS Opportunity

Comparison websites are just one way for people to find out about their options. There are all sorts of services and support that could be provided to help people switch to the best deal.

The following are examples of different types of situations some people are in. For each scenario, what do you think could help and support them to ***make sure they are on the best energy deals and arrangements for their household***, so that they can best manage their energy use and bills?

And for each idea you come up with for information, support or help, ***who do you think should provide it***, e.g. energy companies, service providers, government organisations, their friends or family, Centrelink, local community groups or another organisation or person?

Please feel free to mention ideas you've already mentioned or seen so far, and of course any new ones you think of.

Up to three of the best suggestions will share in a bonus payment of \$50 i.e. if there's one clear best response you'll get the whole \$50, if there's a top five you'll receive \$10 each)

1. A renter who has high energy bills, but can't afford appliances that are more energy efficient.
2. An elderly person who doesn't use a computer or have access to the internet.
3. A single parent, working part-time who doesn't have much spare time.
4. A person with a family of six people in the household that uses a lot of energy.
5. Someone who has recently arrived in Australia to live and doesn't know much about energy companies and plans that are available.
6. A person who has arranged with their energy company to pay off their bills in small fortnightly payments. As such they owe the company quite a large sum of money. Also, their only source of income is from Centrelink.

[RESPONSE BOX] Please number your responses as per the scenarios above.

Closing for Day 2

Thanks again for all of your input so far [name]. We're very much looking forward to our live discussion tomorrow.

Now remember that you need to register for this discussion by clicking on the link we email you and entering your details.

Also remember that the discussion starts at:

- 7:30pm in NSW and Victoria,
- 6:30pm for our Queenslanders and
- 7pm for those in South Australia.

APPENDIX 2: ONLINE COMMUNITY DISCUSSION GUIDE *CONT'D*

DAY 3: LIVE DISCUSSION

DISCUSSION GUIDE TO BE LOADED ON APPROVAL

Introduction – 5 minutes

- As people log on – say hi and get them to chat to each other while waiting for the rest.
- OK, let's get started. Hi everyone and thanks for joining us tonight! We've really been looking forward to this and hope you are too.
- Just a couple of things to kick us off. Remember this is a chat and not a formal discussion, so please don't worry about your spelling, just get your ideas out to us. We'll know what you mean ☺
- And feel free to use as many emoticons as you like. [Thumbs up emoticon]
- For those who are worried about their typing speed and keeping up with the conversation – don't be. We'll give you time to respond, and we'll be able to read your responses later.
- As you would have gathered by now, we don't need you to be an expert and we also don't need you to all agree, so if you feel differently from the group let us know e.g. [disagree emoticon] and why.
- And remember that this community is confidential and we don't link anything you say back to you personally. We have some very strict privacy laws that we have to abide by.
- Does that all make sense? Any questions? Allow all to confirm understanding

Support and assistance options – 25 minutes

1. OK – yesterday we asked you to think about the idea of supporting others in making better energy choices for themselves and their families. Before we start on some of your ideas, I have a few quick questions... Firstly, what do you think are the biggest reasons, worries and difficulties that stop people (yourselves included) from looking into and/or switching to a better company, plan or deal?
 - What do you think should be done to help people overcome these hurdles?
2. Looking forward, how often do you think you will realistically check if you are on the best energy plan/deal?
 - What makes you say that? What would prompt you?
 - How often do you think people *should* check if they are on the best energy plan/deal, and why?
 - What would you think of your energy company if, once every year or so, they put a note on your bill suggesting that you might want to check whether you're currently on the best deal?
3. These are some of the information sources people told us they've used to find a better deal:
 - Commercial comparison sites like iSelect, Energy Watch, Compare the Market, YouCompare
 - Going to individual energy company websites
 - Telephoning individual energy companies
 - Asking friends or family
 - Which are the best sources in your opinion – and what makes them the best?
 - Which are the worst and why?
4. Some ideas suggested for helping people find out about the different energy offers and options were:
 - Short YouTube tutorials
 - Centrelink staff trained to explain energy matters
 - A standard, simple set of terms all companies must use to describe their offers
 - Ads on TV/social media
 - Independent government comparison service
 - Info via mail
 - People who are independent from energy companies visiting homes / in booths at local events/shops

- What do you think of these?
5. You also had ideas for services to help people **actually make the switch**:
 - A campaign on how quick and easy it is and possible savings
 - In-person / phone service to step through the process and explain the different terms eg tariffs, plan types, what plans would work well for people in different situations
 - Energy companies having different services/ payment options eg option to rent/buy efficient appliances, more regular/small direct debits, transferring debts
 - What do you think of these?
 - Other ideas? What are the best ones and how do you think they would work?
 6. If someone was helping you to find the best energy deal, what would you like them to specifically explain, tell you or do?
 - Would you prefer them to explain what's involved in switching, help you work out what to think about when you're making a decision, or help you to actually switch to a different offer?
 - Or would you prefer some other kind of help? What would that be?
 - And what could be provided or explained to people who are having difficulty paying their bills, to help them switch to a better deal?
 7. Some of you have said it's really important for people to be made aware of the flexible payment options energy companies have for people who are having difficulty paying their bills. How do you think this sort of information should be made available to people?
 - Probe as necessary – e.g. How could it be communicated in a way that would actually catch your attention? What makes you say that? Tell us more about that. What do others think of that idea from [participant's name]?
 - Can you think of ways that it could be made easier for people to make alternative payment arrangements – e.g. get an extension on the due date, arrange to make instalments etc?

Reactions to Government Comparison Site - 15 minutes

8. Now let's talk about the independent government comparison website you used yesterday. Firstly – had any of you ever seen or heard of that site before?
9. What would you say to a friend or family member about it?
 - How would you describe your experience of using it?
 - How easy was it for you to compare the different options and confidently make a choice?
 - Would you use it again?
 - Did any of you read the terms and conditions?
10. There were some things people said about the activity to find the best plan that we wanted to explore with you. Firstly, some of you said the best plan that came up was from a company you didn't know. Can any of you think of ways to help build people's trust and willingness to give new companies a go?
 - If necessary: E.g. some people suggested there could be some kind of user rating or review element – either within the site or separately. What do you think of that?
11. Would any of you seriously consider switching to the best deal or plan that you found? Have you perhaps looked into it further already? Explore reasons why / why not
12. You've had some great ideas already, but can you think of any further ways to improve the government's energy deal comparison website? Prompt with suggestions from previous day.
 - What do you think are the most important improvements?
 - How often do you think the information should be updated on the site?

APPENDIX 2: ONLINE COMMUNITY DISCUSSION GUIDE *CONT'D*

(These questions will draw out more understanding of what people liked and didn't like about the comparison websites. Will need to be refined based on day one and two discussions).

Roles and Communications - 10 minutes

13. Sticking with the question of providing information and making sure that people have what they need to make good decisions about their energy provider, **whose responsibility is it** to provide this information? Should it be the government, or energy companies, or do consumers have most of the responsibility to go and find out this sort of information for themselves? How much of the responsibility should each of the different parties take?
14. While we've discussed who might be responsible – let's think about another angle: Who would you trust most to provide support or information to help people compare energy deals?
 - o Would it be the energy companies themselves, an energy industry body, a government organisation (which one/s)? And particular organisations? Centrelink? Spokespersons?
 - o Who would you trust least and why?
15. Thinking about these ideas, time to turn you all into marketing experts! What do you think would be some good ways to let people know about these sorts of resources and tools and services that we've been talking about tonight, if they were available? How would you promote them?
 - o What could be done to make it really attention-grabbing?
 - o What grabs *your* attention when people are promoting things around issues that are important to you? What would make you take it seriously and want to look into these sorts of resources?

Closing - 5 minutes

- Thanks everyone for your thoughts and ideas! Just in closing, what would you say is the ONE most important thing that could be done for customers to help them find out about the energy options that are available, and to make the best choice for their household?
- Thank you very much for your time tonight and for the past 2 days as well. Please log back into the discussion board later this evening or tomorrow for information about payment and to make any final comments and suggestions.

Final Housekeeping

Thanks so much for participating in this research study!

Newgate Research has conducted this research on behalf of the Australian Energy Market Commission. You can find out more about them here: www.aemc.gov.au

A note on payment

Now to the important aspect of payment. I will calculate your payment amount over the next couple of days - \$80 for participating in all activities in days one and two (please feel free to go back and complete or add to any comments now) and \$40 for participating in the online discussion. I will also include any bonus payments you earned. The payments will be made early next week. Your response to this question is set up as private so your responses won't be public or, if you prefer, you can email me at Newgate Research on katherine.rich@newgateresearch.com.au / philip.partalis@newgateresearch.com.au

- Please leave your bank details including the bank name:
 - BSB number:
 - Account number:
 - Account name:

If you have any feedback on how you found the online community or any suggestions on how we could do it better next time, please do let us know. Your response won't be shared on the platform.

Thanks again for your contribution. We'll leave the online community open over the weekend in case you want to keep talking – it will close at midnight on Friday 4th March.

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