

Game Changers?

A review of Next Generation Intermediary
Services for Citizens Advice

Full report

August 2017

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Acknowledgements

On behalf of Citizens Advice, the author would like to express his gratitude to the following NGL practitioners and experts for agreeing to participate in interviews for this research. All gave generously of their time and their insights and perspectives have been invaluable to this work.

- Cas Bijlholt, Co-founder, iChoosr
- George Frost, Country Manager, UK, iChoosr
- Iain Henderson, independent NGL expert
- James Hind, Founder & CEO, Carwow
- Dr. Stelios Koundouros, Founder & Product Director, Billmonitor
- Archana Luthra, Head of Clubs & Operations, MoneySavingExpert.com
- Ishaan Malhi, Founder & CEO, Trussle
- Tim Rudkin, CEO, Saveawatt (New Zealand)
- Lukas Zörner, Founder & CEO, Mobillity

Executive Summary

Introduction

Widespread consumer inertia and the diminished competition that results, reflect the high switching costs that characterise ‘confusopoly’ markets, such as energy, financial services and telecoms. Next Generation Intermediary services (NGIs) are emerging as an innovative response to these problems. NGIs enable consumers who lack the time or inclination to engage in these markets of their own accord to say ‘do it for me’ and have an NGI go to work on their behalf. In undertaking the heavy lifting of market engagement for their users, NGIs promise to:

- Cut through the multitude of offers in a market with laser-like precision - identifying which one best fits the specific requirements and/or context of the consumer, so that the consumer doesn’t have to
- Present that information in impartial, intelligible formats - offering clarity on the savings the consumer can achieve and supporting a straightforward switching decision.
- Enact the consumer’s decision to switch - overseeing the end-to-end switching process and dealing with any problems that arise.
- Offer a perpetual service - continually monitoring the market in line with criteria set by the consumer - potentially offering a delegated decision making option (i.e. the consumer authorises the NGI to enact switches without first seeking a decision).

By going with the grain of inertia, NGIs can achieve better outcomes for less effort for their users (described here as ‘profitable disengagement’), and drive competition in the markets in which they are active – not least by offering challenger and new entrant providers an efficient acquisition channel.

The research¹ underpinning this report examined the extent to which NGIs are realising this potential and the following highlights its key findings.

Summary of key findings

NGIs are effective

- **‘Do it for me’ is becoming a reality** for consumers in energy, some financial services, telecoms and beyond, with the emergence of NGIs that *do* cut through the complexity of these markets and *do* minimise switching costs for consumers.
- **NGIs are achieving meaningful savings for consumers** - making a reality of better outcomes for less effort. That several NGIs offer a perpetual service and repeat the process at defined intervals, means ‘profitable disengagement’ can be sustained, rather than a one-off.

¹ The research involved detailed interviews with NGI practitioners and experts, alongside a review of relevant policy and regulatory developments during the last three years. Further detail on the methodology is provided in the full report.

- The emergence of NGIs is **helping smaller providers and challengers** gain market share in some markets. Despite instances of barriers and reluctance, large incumbents are increasingly accepting that NGIs are here to stay.

The current reach of NGIs

- **Success at scale does exist** – for example, it is likely a sizeable proportion of all energy switches now take place via Cheap Energy Club – **but NGIs for the most part still operate at the peripheries of their markets**, and remain little known relative to the major price comparison websites (PCWs).
- As a result, some **NGIs are at risk of from ‘circle of lows’ - where low consumer awareness equals low trust, resulting in low uptake and usage**. Consumers can be unwilling to take the few steps necessary to onboard with an NGI service, even where this offers an immediate saving and an ongoing benefit in return. Personal data is a key input for the optimal functioning of NGI services, which may exacerbate these issues.
- Beyond the exceptions, **current low take-up translates as relatively low-impact in terms of transforming NGIs’ respective markets for the better**. So, while on an operational level the potential is being realised – NGIs are showing ‘do it for me’ can work and are empowering individual consumers to realise meaningful savings – the competition igniting, positive disruption is yet to fully materialise.
- That said, practitioners believe it is inevitable that NGI approaches will become the norm; and **some are experiencing strong demand from a low-base and attracting investment**.

Target audience and current users

- NGI practitioners believe widespread consumer disengagement in their respective markets will translate as widespread appeal for their services. Their insights indicate **a cross-section of consumers are currently using NGI services**, with some variation by market.
- Some energy NGIs have developed specific initiatives to support consumers in vulnerable circumstances. More widely, it is felt that ‘do it for me’, demonstrable savings and growing smartphone ubiquity will mean NGIs can benefit consumers in this segment.

NGI business models

Most (but by no means all) NGIs are free to use for consumers, with revenues derived from a commission paid to the NGI by the gaining provider. The findings indicate that:

- **Practitioners who have adopted a free to use model recognise the risks it presents** (e.g. provider capture) **and the need to maintain alignment between the interests of the NGI and its user**. A range of measures have been implemented to mitigate these risks, including:
 - Flat commission fees - removing any risk of bias towards any supplier offering preferential payments
 - Impartial algorithms programmed to identify the best deal for the consumer, without reference to the commission payments offered by the provider
 - Transparency that commission is paid and, in one instance, the value of payments received
 - Reverse auction models, where the winner is the provider making the best offer

- However, **some make the counterargument that a consumer-pays model is the best way of building trust**, as it removes conflicts of interest and ensures NGI and user interests remain aligned.

External dependencies and factors that constrain the optimisation of NGI services

- **Access to data: data is the lifeblood of NGI services and key to offering the functionality and services that set them apart.** However, some NGIs are starved of direct access to these data. This in part relates to provider data (i.e. tariff and pricing information), and in part to authorised access to consumer data - primarily concerning current contract arrangements and consumption and transaction histories.
- With regards to **provider tariff and pricing data**, NGIs are currently reliant on (i) affiliate marketing companies, (ii) services that specialise in collecting, curating and selling on tariff data, or (iii) developing direct relationships with providers. In regulated markets, this **can represent a barrier to entry for NGIs and is therefore a key area for action** (see recommendations).
- **With regards to consumer data**, the government's Midata initiative should have provided the way forward, but progress has stuttered. **The new EU General Data Protection Regulation is set to drive a step-change** in this respect and will realise the data portability goals of Midata.
- **NGI practitioners advocate for API-based approaches** as the best way of providing live, efficient access to the required data. The CMA and Government's vision for and implementation of 'open banking' based on APIs, offers a blueprint for other sectors.
- **In the mobile telecoms market, the lack of a gaining provider-led switching process acts as a barrier** to NGIs offering a seamless 'do it for me' service (i.e. the consumer is still required to engage in the process).
- **Regulators have, to varying degrees, demonstrated an appreciation of the distinct nature and potential of NGI services.** However, there can be a disconnect between orthodox regulatory cultures (and mandates) and the agile, tech-centric nature of NGIs. The emergence of regulators' in-house innovation hubs could start to address this, provided their remit encompasses market intermediary services.
- **NGI practitioners recognise the value of accreditation** and express an interest in it. However, in energy the current incarnation of the Confidence Code is deemed to be unsuited to NGI models.

Recommendations

Based on these findings, the report makes recommendations focused on practical steps to support the development and further realise the potential of NGIs. The recommendations span three themes: (1) raising consumer awareness of NGIs, (2) building consumer trust in them, and (3) optimising NGI services by addressing the data challenges they face.

Main report: background and findings

Section 1: Background & context for the research

‘Do it for me’ NGI services: a new solution to consumer inertia?

In January 2014, Consumer Futures (which later that year became a part of Citizens Advice) published an influential discussion paper entitled *Next Generation Intermediaries - Examining a new approach to market engagement that offers consumers better outcomes for less effort*.² It was accompanied by a supporting research report by specialist consultancy firm, Ctrl-Shift, entitled *The Rise of the Consumer Empowering Intermediary - a special report on a catalyst of market change*.³

This work marked a notable departure from conventional thinking on how best to increase consumer engagement in the regulated markets of energy, financial services and telecoms. Although competition in these markets depends on engaged consumers, widespread inertia is a characteristic common to all three. As market studies by the sectoral regulators and competition authorities have highlighted: ‘loyalty’ comes for free wherever inertia takes hold and competition between providers gives way to complacency, meaning the benefits competition should deliver to consumers are diminished.

Instead of seeking to address this problem with proposals built around conventional approaches - such as informational remedies and streamlined switching processes (as valuable as these can be to the operation of intermediary services) - the Consumer Futures work set out a vision for a new breed of intermediary service, which it described as next generation intermediaries (NGIs).

NGIs, it argued, could work with the grain of inertia and shift the onus for engagement from the shoulders of consumers. The paper highlighted how NGIs could provide a new route to market that allowed consumers to outsource that onus to a service working on their behalf, in markets they had little inclination to engage with of their own accord. NGIs, the paper stated, could offer a more compelling approach for consumers in six respects:

- 1) The consumer has the option of saying ‘do it for me: find me a better deal, that meets my needs, so that I don’t have to’.
- 2) An NGI’s algorithms would cut laser like through the market’s multitude of offers, identifying with a high degree of certainty which one best fits the requirements of each consumer.
- 3) The NGI would present only the best offer(s) to the consumer, doing so in a transparent, impartial and easily intelligible way – making it simple for the consumer to determine the extent to which it represents an improvement on their current arrangement.
- 4) If the offer is attractive, the consumer can again say ‘do it for me’ and authorise the NGI to enact and oversee the end-to-end switching process for them, and also to deal with any problems that arise.
- 5) NGI capability goes beyond identifying and obtaining the best tariff, or deal. It can become a one stop shop for associated services that are relevant to the market in question, such as energy efficiency measures in the gas and electricity markets, or hardware in the telecoms markets.

² See: [Next Generation Intermediaries - examining a new approach to market engagement that offers consumers better outcomes for less effort](#), Consumer Futures, 2014

³ See: [The Rise of the Consumer Empowering Intermediary - a special report on a catalyst of market change](#), Ctrl-Shift, 2014

- 6) NGIs offer an ongoing relationship, which supports a much more responsive, personalised experience. It also makes it possible for the NGI to offer a perpetual service – continually monitoring a market in line with criteria set by the consumer; and allowing the consumer to fully delegate engagement and decision making to the intermediary (should they choose to do so).

As such, Consumer Futures' envisaged outcome was 'profitable disengagement', where the 'do it for me' nature of NGI services enabled consumers to do better by doing less in the markets covered – effectively transforming inertia from a force that works against them, to one that NGIs can leverage in their favour.⁴

The supporting research from Ctrl-Shift analysed the evolution of those intermediary services that help individuals make better decisions and deal more effectively with suppliers. It sought to:

- Provide a deeper understanding of the different types of intermediary services that are emerging
- Identify the vectors driving the evolution of the market
- Identify actual and potential impacts on the workings of regulated industry markets, thereby highlighting issues regulators and other bodies working in the consumer interest may need to address and questions they may want to explore further

About this research

Taking the 2014 work as the starting point for its inquiry, this research has sought to assess the development of NGI-type services in the intervening period. It examines the extent to which NGIs are delivering on the potential outlined in the 2014 work, aims to build a better understanding of the evolution and operation of NGI services, and seeks to identify factors that are influencing and/or impinging on the development of NGI services, specifically:

- I. The structural issues (if any) – including those of a regulatory, technical and policy nature - that NGIs are facing
- II. The perspective of practitioners and experts on what needs to happen for NGIs to function effectively and better meet their potential.

The research has consisted of two strands:

- I. Desk research to identify key developments relevant to NGIs, since the publication of the Consumer Futures paper in January 2014 (with the findings presented at appendix 2).
- II. Telephone interviews with NGI practitioners and experts.

⁴ As such, NGIs score well against the Behavioural Insight Team's E.A.S.T framework for applying behavioural insights in policy interventions. Within the mnemonic E is for making it easy – e.g. harnessing defaults, reducing hassle and simple messaging. A is for making it attractive, including through financial incentives (savings in this case). S is for making it social – including using the power of networks (framing the NGI as a 'club', for example). T is for making it timely, by providing prompts when people are most likely to be receptive (when a contract is about to end, for example). See: [EAST: Four Simple Ways to Apply Behavioural Insights](#), BIT, April 2014.

About the interviews

Practitioners and experts from a dozen organisations were invited to participate in interviews, of which 8 agreed to take part. The interviews were of around one hour in duration and were undertaken by telephone between December 2016 and March 2017.

Of the eight interviews undertaken, one was with an independent authority on NGI-type services and approaches and 7 were with senior leaders from a range of NGI services (practitioners). The practitioner interviews included NGI services operating across the regulated sectors covered in the 2014 work (energy, financial services and telecoms), but also went beyond (the new car market). The insights gained included international perspectives, alongside those of NGIs operating in the UK. The practitioner perspectives ranged from beta stage start-ups to well-established services that are now being used by millions.

A full list of participants is provided on the acknowledgements page at the start of this report and at a short profile of each NGI service is provided at appendix 1.

The bigger picture

This work forms part of a suite of research commissioned by Citizens Advice on intermediaries in consumer markets and will sit along 2 pieces of consumer research that were undertaken at the same time as this research (although separately from it). That consumer research has focused on consumer perceptions of and engagement with both orthodox price comparison tools and NGI services; and has examined the usability, including the functionality and effectiveness of those services.

Taken together this series of research will inform the Citizens Advice submission to the Competition and Market Authority's Digital comparison tools market study⁵ (see below), inform its strategic policy development and advocacy work.

⁵ See: CMA, [Digital comparison tools market study](#)

Section 2: the impetus for NGI creation and the current breadth of NGI activity

During the interviews, we asked NGI practitioners to summarise how and why they had decided to create an NGI service. As the following highlights, in some instances NGIs emerged from existing services that were looking to differentiate their offer through innovative means. In a number of instances user feedback had acted as the catalyst for that change. In other instances, services had been ‘born’ NGIs - their founders starting with either:

- (i) An appreciation of the ends – i.e. the potential to transform consumer engagement in a given market and the commercial opportunities therein. In some instances, that appreciation had been informed by the founder’s professional and/or personal experiences. They had then developed an appreciation of how technology offered the means to achieve the envisaged transformation.

Or

- (ii) An appreciation primarily of the means – i.e. understanding certain technologies’ capabilities and then identifying the potential to bring simplicity to complex consumer markets as the ends to which these technologies could be put.

Cheap Energy Club emerged from an existing service - the consumer advice website Moneysavingexpert.com (MSE), with user feedback playing a key role in its creation. MSE’s Head of Clubs & Operations, Archna Luthra, told us how Cheap Energy Club:

...was a logical development of the work and campaigns MSE was already engaged in around energy prices. People were telling us ‘just do it for me, I don’t want the hassle, I’m too scared and don’t want to do it’.

Existing users also influenced Saveawatt’s trajectory. Active in New Zealand’s commercial energy market since 2009, its business customers were asking whether the service could also be used to reduce their domestic electricity bills. As it didn’t make economic sense to apply the manual processes used in its B2B activities to domestic electricity, a digital approach was sought. CEO, Tim Rudkin, told us that:

We decided it was obvious it was not economical to have humans do this [for the domestic market], hence it meant looking at a digital solution. Through that thought process we came up with energy is a commodity so why is it difficult? It shouldn’t be that hard. We started with a clean sheet and just said well, what actually works for the customer? And rather than putting the system first and then putting the customer at the end of the value chain, we’ll put the customer in the middle and say ‘ok, what’s best for the customer?’ and work backwards from there.

James Hind founded Carwow as a new car market equivalent of the [Rotten Tomatoes](#) movie website (which aggregates film critics' reviews), before user demand prompted an evolution to the intentcasting⁶ and car buying NGI service it is today:

Before, we were helping consumers choose which car to buy, and we had lots of consumers coming to us and saying, 'why is it so horrible to buy a car?' We looked into it and thought we've got to be able to find a better way than this.

iChoosr has been an NGI-type service since the outset. It was founded on the notion that an intermediary could aggregate user demand for a product or service and leverage the resultant buying power to secure better offers for users than they could achieve on their own. Co-founder, Cas Bijlholt relayed how, after early success in the heating oil markets of rural Flanders, consumer demand prompted the move into gas and electricity:

Based on the demands of consumers, we looked into the energy sector, at energy contracts, and learnt there were a lot of people who had not been engaged before, who then became engaged through the group buying programmes [in part] because we made it very easy for them - they didn't have to do a lot themselves. All the research was being done, they knew they had a good deal because there was an auction model behind it and everything was taken care of.

Mobility's CEO, Lukas Zörner, had gained experience of the energy market through his work in banking with several power and utility companies. For him, personal experience led to the founding of Mobility, with the lightbulb moment coming: *when I came home to my own electricity bills - even though I have the knowledge about the market, I didn't fully understand what was going on.*

After his research confirmed this was a problem shared by millions, he: *decided that actually needs to change, right here, right now. So, from that point onwards Mobility was derived*

The background of Billmonitor's founder, Dr. Stelios Koundouros, had given him: *a sense of how to use advanced statistics to help develop algorithms in the general space of price comparison based on users' data.*

The focus on the mobile phone market came: *Simply because we thought it was a complex market where we could add value by analysing the user's bills; and because we had some suspicion that the complexity of the market and especially of the tariffs, would potentially be quite confusing for people. What we found out by launching the application is that, that is correct.*

Trussle's founder and CEO, Ishaan Malhi, told us how a confluence of his professional background in mortgages, a personal frustration with the mortgage market and insights gained from exposure to a number of technology-driven start-ups that were solving similar problems in related industries, gave rise to his mortgage NGI:

FinTech was fast emerging - you had seen companies like Wealthfront and Betterment in the US, and Nutmeg emerging in the UK. There were so many parallels - where technology was taking a broken and fraught process and making it not only bearable, but also enjoyable for consumers. Based on my personal frustration of getting a mortgage and given I had worked in the industry for two years and still faced that frustration, I thought there's a real need for this to be solved and I thought technology was the answer.

⁶ In essence, intentcasting is reverse advertising - enabling consumers to broadcast a requirement to the market and have providers respond with offers. See: <https://cyber.harvard.edu/projectvrm/Intentcasting>

Why has the energy market become the hub of NGI activity?

As outlined in section 1, if a market is characterised by high switching costs and, as a result, high inertia, there is the potential for NGIs to make a positive impact for consumers in that market - in part by driving greater competition. Based on the prevalence of these characteristics across the energy, financial services and telecoms markets, Consumer Futures' 2014 work envisaged NGIs emerging across all three sectors. As the NGIs interviewed for this research demonstrate, that has been the case, but only to varying degrees. NGI activity is much more prevalent in retail energy than in the other two markets, with NGI presence in energy going beyond those covered here.⁷ As part of the interviews, we sought perspectives on why this might be.

The seven - often interrelated - themes highlighted below emerged as interviewees gave their perspectives on why energy represented an attractive opportunity for NGI entrepreneurs:

(1) From the consumer perspective, energy is a simple commodity of which consumers have simple needs (i.e. the lights turn on when the switch is flicked, with that illumination coming at a reasonable cost). The complexity of the market stands in contrast to those simple needs. The opportunity to reconcile these two characteristics is one that NGIs are well-placed to exploit. In the words of Saveawatt's Tim Rudkin:

It's as pure a commodity as you can get. There's one network, there's one product you're selling and it's dominated by some very big incumbent retailers, who have tried to do clever things to differentiate it, or turn it from a commodity into a service. That's basically resulted in consumers being so confused about such a simple product.....[and has] opened the door for NGIs to come in and say 'let us help you out'.

Some interviewees contrasted the commodity nature of the energy market, with the telecoms market. In telecoms the array of variables and subjective preferences – such as in relation to hardware (e.g. smartphone handsets), usage allowances (e.g. how much talk time, SMS messaging, or mobile data was included in the headline price) and whether the consumer was looking to purchase a triple or quad-play bundle – made for a much more complicated market that would be difficult to create algorithms for (although this is the speciality of Billmonitor).

iChoosr's George Frost compared the two markets in these terms:

People are more emotional about their mobile phone, it's seen more as part of their personality and part of their life and it is not a vanilla commodity product, so it's whether you want a smartphone, whether you associate it with a brand, whether you're using it for data, or calls or text or however you might use it. Whereas, energy is far more of commodity and significantly not an emotional purchase.

(2) It is a very large market - all households have a need for energy.

(3) Within that very large market, the majority of consumers remain disengaged. Around 70% of the market remain on standard variable tariffs - suppliers' most expensive rates. As iChoosr's George Frost put it:

Every household has energy and within that massive audience base you have got a sleeping majority, or a significant proportion of that audience is either asleep or snoozing.

⁷ Including, but by no means limited to: [Flipper](#), [The Big Deal](#) (group switching) and the [Voltz](#) app.

(4) Meaningful savings can be achieved by switching, especially for the disengaged majority who remain on standard variable tariffs.

Some interviewees compared this with certain financial services, where current accounts remain, for the most part, nominally free to use; and where sustained record low interest rates for savings products mean there are few meaningful gains to be won for consumers. For example, iChoosr stated that the current interest rate environment had caused it to postpone a pilot initiative for savings products in the Netherlands.

(5) Energy suppliers are perceived to be willing to pay acquisition fees to gain customers. NGI expert, Iain Henderson, took the view that:

Everyone who works in marketing, or is entrepreneurially minded can figure out the big energy companies will pay a decent chunk of money to acquire a new customer. People are just thinking 'how do I get a revenue stream?' So land on it that way. I think people inherently know that to be the case more so for energy than they do for other sectors.⁸

(6) High profile: the energy market, its major suppliers and prices remain front of mind for consumers (if often for negative reasons). Exhortations to switch from government and regulator-led campaigns and initiatives play an important role in keeping it so. Billmonitor's Stelios Koundouros felt that:

The energy sector has received a lot of publicity over recent years as the government has put more focus on that. Also, energy prices have shown a lot of volatility especially over the last 5-6 years and those have been passed on to consumers, so I think it's one of the things that tends to be more top of mind.

Whilst Mobillity's Lukas Zörner took the view that, although more work is necessary, government and the media are doing quite a good job of pointing out to consumers that there are savings to be made.⁹

(7) Regulatory environment: some interviewees were of the view that the regulatory environment in financial services posed a greater barrier to entry for NGIs than the one they face in the energy market. For example, intermediaries operating in financial services markets are likely require authorisation by and come under the regulation of the FCA - requirements that do not have a parallel in the energy market.

In comparing the regulatory environments NGI expert, Iain Henderson, was of the view that energy is: *easier [for an NGI] to engage with than financial services. So, doing the same thing in insurance might seem like a good idea in principle, but the reality at the end of the day is anything to do with*

⁸ Although, as noted at section 6, the experience of some practitioners is that some smaller suppliers are not always willing to pay.

⁹ Although, as is covered in section 7, Zörner along with other energy NGI practitioners, noted it is a sector permeated by distrust, which serves to inhibit consumer engagement. While this distrust in great part reflects energy suppliers' conduct (e.g. mis-selling, price rises), it can be amplified by the stance that the media and politicians take towards the sector.

financial services is a complete pain in the backside to get up and running. Which is why energy remains a monopoly [in terms of where NGIs are operating].

However, the FCA's Innovation Hub and its Project Innovate,¹⁰ of which the Hub forms part, can support innovative intermediary services in better understanding the regulatory environment. And as Trussle¹¹ are demonstrating in relation to the mortgage market, NGIs are emerging in the sector. Its CEO, Ishaan Malhi, took the view that while a number of NGI-type services focused on the energy market: *the overspending on mortgages is one of the biggest consumer issues that remains unsolved – the savings are an order of magnitude larger.*

Why are NGIs mostly mono-sectoral?

That the energy sector would see such a concentration of NGI activity in GB, was not foreseen by the 2014 Consumer Futures work. Its paper sketched out an expectation that NGIs would appear that could serve consumers:

- Vertically - in related markets in the same sector, e.g. a financial services NGI could work for its users on current accounts, savings products and insurance;
- and / or
- Horizontally - where an NGI could assist consumers across a range of sectors that demonstrated the common characteristics of high switching costs and high inertia.

Although partial exceptions exist, including iChoosr (see below), this expectation is for the most part yet to materialise to any extent. We sought the views of interviewees on why NGIs in their current incarnation were, for the most part, mono-sectoral enterprises.

Focus and capacity

While some NGI practitioners outlined medium-longer term ambitions to expand their offer vertically, horizontally or in both directions, their immediate objective was to focus on ensuring their core offer was a successful proposition. For example, Trussle's Ishaan Malhi told us that:

From our perspective, we're still an early stage start-up, there's a huge industry we're trying to solve, but it's very much on our roadmap to expand to related services so that we can be the buyer's best friend and hold their hands through the process.

In some instances, resource and capacity limitations also necessitated a focus on the core offer. Once success in its core market had enabled the NGI to earn resources, brand capital and consumer trust, it would be in a position to expand. It was in this vein that Mobillity's Lukas Zörner told us that:

We need to focus on the things we are good at first. That's providing the customer with a very good product and very good service and showing them the first big winnings, so that we can actually establish the necessary trust to also look at all the products which are out there.

¹⁰ See: www.fca.org.uk/firms/fintech-and-innovative-businesses

¹¹ Trussle appear on the Financial Services Register as an Appointed Representative. See [here](#) for Trussle's entry.

Carwow's James Hind expressed similar sentiments: *I think everyone plans to... but they're also very aware that 90% or whatever it will be, will come from one line often. They really need to keep building that up, rather than trying to set up in completely new markets.*

Although Hind does see the potential for Carwow to offer complementary services, such as car insurance and breakdown cover, they are *just not top of the priority list*. That said, Carwow is expanding its offering into the nearly new used car market and developing a service that will help people sell their current car.

Some energy NGI respondents also felt that certain complementary markets (e.g. energy efficiency, microgeneration, smart thermostats and other hardware) were still too niche to justify devoting resources to at this time, but maintained a watching brief with a view to future expansion.

Makes sense in theory, but is challenging in practice

NGI expert, Iain Henderson, outlined the magnitude of the challenge inherent in delivering a cross-market NGI proposition: *I think it's very tough, because it's a fairly all-encompassing proposition. You either cover lots of aspects or you don't. You can't half do it. People will see through it if you half do it.*

That perspective was echoed by a number of practitioners, who were keen to emphasise while the one stop shop NGI concept makes sense on paper, the challenge of making it a reality is significant, multifaceted and goes beyond just repurposing a platform that is effective in market *a*, so that it can be applied to market *b*.

Billmonitor's Stelios Koundouros told us he was interested in principle in expanding in this way, not least because its users did ask: 'why don't you do this for other sectors?'. However, he felt this was a long way off, reasoning that:

You might be thinking more about 'oh well if they can build the technology for mobile, they can do it for broadband' and the answer is 'yes'. But that's only the technology side of things. Then you have the actual implementation of that technology to grow it into a business. Then you have to tap into affiliate programmes so that you can then get the tariffs, curate them on a daily basis, maintain that as well. You need to do marketing in that field too - and it's not very clear that people who are searching for a new mobile contract are also searching for a new broadband contract, so it would be separate marketing strategies.

Of the NGIs that participated in the interviews for this research, iChoosr was the only one that had taken steps to diversify into other sectors. While energy remains its core market in all territories in which it operates, it has moved vertically into microgeneration (solar panels); and has recently moved horizontally into broadband (with a pilot scheme in the UK). However, these are currently run as separate initiatives, requiring interested consumers to register separately for each market - iChoosr does not yet offer these as an 'under one roof' service.

UK Country Manager, George Frost, outlined how iChoosr's moves into wider markets formed part of its future ambitions:

We would like to meet more needs of our customers. Going forwards we would like to have a closer and longer-term relationship over more products and services and a lot of those would naturally fit into what I think has widely become known as home services. The commonality would be mass appeal when there is an area of perceived complexity, where we can help customers make an informed decision.

Cross-sector NGIs: inevitable in time?

While actors within a given sector tend to operate only within the silo of that market, consumers' lives do not. Serving consumers across the range of markets in which they require decision support continues to represent a commercial opportunity for NGIs. Mobillity's Lukas Zörner expected this opportunity to drive further innovation:

The truth is that the consumer's life is not happening in a silo, it's one interchange of things happening. This will need to be reflected in the future. A consumer doesn't think about their water bill, their energy bill, their mobile phone bill and so on in isolation. They think about all of them together. As a consequence, the data from these companies needs to play together to provide a better consumer experience in the next couple of years, which will create tremendous value.

Section 3: Challenges faced in realising an NGI's potential

Challenges faced in development and operation of service

We wanted to hear from practitioners about the challenges they were facing, or had faced, in the development and operation of their NGI services; and whether these were preventing their service from meeting its full potential.

As intermediaries, NGIs connect supply to demand. Their success hinges on the extent to which they can engage each party effectively. The Consumer Futures work had assumed the prospect of a 'do it for me' service would be an attractive proposition for consumers, making consumer engagement less of a challenge. Conversely, it also assumed the potential to disrupt the status quo in a market would mean providers were reticent, at least initially, and engaging them would represent the more significant challenge.

As the following highlights, challenges relating to both parties were highlighted by NGI practitioners, as were a number of other issues.

Consumer engagement

Some interviewees spoke of the challenges they had faced with regards to bringing consumers on board, at least initially. For example, iChoosr's George Frost stated that:

It all comes down to consumer engagement and for our particular model, that includes the engagement of community leaders to then engage consumers.

In other instances, the NGI's much more straightforward route to market had proved effective in engaging consumers on its merits, meaning the challenge was more around managing the demand generated. For example, Ishaan Malhi spoke of Trussle being:

....hugely overwhelmed by the demand the product has seen. We really felt it was going to be a smaller demographic of perhaps 30-40 year olds, perhaps younger, but it's been much wider.

As with other NGIs, Trussle is delivered in part via 'roboadvice'. Malhi explained this too represented a distinct consumer engagement challenge in relation to striking the right balance for mortgages:

[One challenge is]... finding the delicate balance between automation and manual intervention - this is one of the biggest financial and emotional commitments people are ever going to make, so we want to deliver a personalised service at scale. To do that you need technology. Knowing where the balance is between full automation and, ignoring regulatory constraints for a second, yet keeping that human reassuring voice has been a difficult one to perfect.

Provider engagement

For James Hind at Carwow, engaging dealerships had been a major challenge:

They're fragmented and not all are keen for the existing way to change at all - because it benefits them and so getting them on board can be hard work. As with anything, you start with the early adopters and we're now into the early mainstream, but they don't all love what we do, they don't all want transparency.

For some, this represented an initial challenge that reduced once providers either became more familiar with the NGI and its approach, or saw an opportunity in engaging with it. In some instances, larger providers came on board only after realising that non-engagement was enabling an NGI to chisel away at their market share.

iChoosr's George Frost told us: *Obviously, there's been a challenge engaging the suppliers, but that was a greater challenge in the early days and less of a challenge now.*

While others, such as Saveawatt's Tim Rudkin, told of a mixed reception from providers:

Retailers are smart people and they knew that digital disruption would come upon them at some point in time. A lot of the comments we received when we met with industry players were 'oh, we were wondering where something like you would come from'. And then they really need to make a decision on how they treat us, and if they want to be part of something that makes consumers lives easier or not.... We've had from incredibly supportive, as they see that's the way the market is evolving, to retailers who are just trying to ignore us and hold onto the status quo.

The reactions of incumbent providers and the challenges this can present for NGIs is further discussed at section 6.

Technical challenges when dealing with providers

For some practitioners, interfacing with providers' systems had posed, or still poses, a technical challenge in the development and /or operation of their services. For example, Billmonitor's Stelios Koundouros outlined how maintaining the service remained a challenge:

Because we depend on foreign system billing platforms that change all the time without notice and we don't have a blueprint to how they operate and so on - the maintenance cost of the service has been far higher than we originally envisaged.

Mobility's Lukas Zörner highlighted the contrast between NGIs' modern, agile systems and the legacy systems that larger energy suppliers still use. This can mean an NGI moves only as fast as the slowest suppliers with which it deals (a scenario that reads across to other sectors):

What we see is a difference between energy suppliers' systems and the ability to make quick movements in the market, or quick movements with parties like us in terms of technology. So, I think upgrading the technology is important. If we get to 2025 and still don't have APIs then we are years behind what is actually feasible.

Issues relating to data specifically

As section 10 outlines, NGIs are data intensive enterprises. User data and supplier data are key inputs that underpin the optimal functioning of an NGI service. Required user data relates to some, or all, of: current tariff arrangements, usage patterns, transactions and preferences. Required provider data includes information concerning their live tariff range, tariff brands and identities, tariff structures and/or other pricing information, and key contract terms. Appendix 2 highlights how, depending on the market in question, Midata, Payment Services Directive 2 and the General Data Protection Regulation are set to help facilitate the former, while the CMA's digital comparison tools market study could have some influence on elements of the latter.

Cheap Energy Club's Archana Luthra described how: *some of the industry processes and databases are absolutely appalling....for example, the meter referencing databases....there's still lots of problems. We should be at 24 hour switching, but there are still too many holes in the system that mean that's not possible.*

Mobility's Lukas Zörner viewed access to standardised data as *definitely a problem*, explaining that:

Having data in the same format is something that can speed up the process, not only in relation to the consumer's data, but also the company's data. Building up [tariff] databases yourself takes a long time and we don't believe this needs to be the case, as a central system would bring efficiencies to everyone.

Section 4: the difference an NGI can make

‘Do it for me’ - reducing switching costs

As outlined in section 1, a defining characteristic of NGI services is the ability for the consumer to say ‘do it for me’ to their chosen NGI, thereby delegating engagement in a given market to it. As Mobillity’s Lukas Zörner noted:

Doing things on behalf of the customer rather than the customer having to do it themselves is a significant step forward.

The ‘do it for me’ option offers consumers a much greater level of ease and convenience than has previously been possible when it comes to market engagement. In offering this approach to varying degrees, the services covered here reduce consumers’ switching costs significantly. The effort required of the consumer is pared back to the initial sign-up and subsequent decision making (in relation to whether an offer is accepted).

Tables 1.1 to 1.7 below provide snapshots of the extent to which each of the NGI services interviewed here have minimised the effort required of their users. Section 11 on the future evolution of NGIs highlights how some practitioners are actively looking to move towards fully automated switching. That would see consumers take an initial step of setting parameters, after which they would authorise the NGI to make and enact switching decisions on their behalf, wherever it identified a superior offer for the consumer that was in accordance with the parameters set.

As these tables highlight, each of the NGIs assumes the search costs associated with comparing the market (or relevant portions of the market) on behalf of the consumer. They make impartial calculations - for the most part by algorithmic means - which offer(s) would deliver the greatest benefit to the consumer - relative to either their context and/or their current contractual arrangement (including any terminations fees), or their stated purchasing intention.¹² Offers are then presented to consumers in easily intelligible formats, accompanied by a clear calculation of how much the consumer would stand to gain by accepting it.

In undertaking the heavy lifting of search and comparison and in presenting only the relevant offer(s) to the consumer, NGIs can impose simplicity on complex markets, eliminate choice overload and create the conditions for confident decision making by the consumer. This can serve to mitigate the sub-optimal outcomes that arise from heuristic-based decision making; and reduce rates of drop-out, where consumers have made their own comparison of offers, but fear of making a bad move causes them to retreat from a decision through (i.e. they succumb to a status quo bias).

Some of the NGI practitioners interviewed felt that convenience was a building block of confidence - stating that once equipped with reliable information which identified the best deal available to them, consumers were more willing to engage in the market and take advantage of that deal. For example, Carwow’s James Hind was adamant that *convenience leads to confidence*.

¹² The potential for consumer detriment to arise in such an arrangement are readily apparent. For example, if supplier capture incentivises an NGI to abandon impartiality and display offers that serve its own interests better than they serve the interests of its users. The importance of trust and NGI business models, including steps to mitigate such eventualities are covered at sections 7 and 9.

A number of the NGIs covered here further reduce switching costs by acting on the decision made by the user: i.e. enacting and managing the switch, so the consumer doesn't have to. Some NGIs also offer a 'perpetual service' and ongoing relationship, whereby they continue to scan the market on behalf of the consumer and present a new offer at defined intervals - such as when a consumer's contract comes up for renewal, or when a substantive saving becomes possible (see 'keep on doing it for me' below).

It's also worth noting that in reducing switching costs, NGIs simultaneously minimise the opportunity costs incurred by any consumer that might seek to engage with the market themselves. By having an NGI engage in the market on their behalf, that consumer is able to spend the time it would have taken to achieve the same saving via conventional channels, more productively on other pursuits.

Keep on doing it for me: compare market-present offer-switch-monitor market-repeat

For NGIs operating in service and utility markets, the kinds of headline savings detailed at table 2 may prove to be a one off - achieved only when a previously disengaged consumer switches for the first time, or following many years of inactivity - unless the market in question experiences significant beneficial price movements¹³ during the consumer's initial contract period. However, NGIs offering a perpetual service to users can still add value here, even where subsequent savings may represent a fraction of those achieved initially. By identifying the market's best offer for the consumer and presenting it to them at the relevant time, along with the option to be switched to it, these NGIs ensure consumers can remain inactive in the market, yet have the peace of mind that the price they are paying represents the best value available to them and is the best match for their circumstances. In a climate of rising prices, where the best value offer may be more expensive than the consumer's current arrangement, an NGI's perpetual service will serve to minimise the price hike a consumer faces.

This perpetual dimension means 'do it for me' becomes a continuous service to the consumer. This stands in contrast to the one-off, transactional nature of the approach taken by orthodox price comparison sites and further realises the potential for 'profitable disengagement' outlined in the 2014 work on NGIs.

¹³ For example, in utility markets this would be a reduction in tariffs, for mortgages and loans a drop in repayment rates and for savings products a rise in interest rates.

Tables 1.1 to 1.7: characteristics of the NGIs interviewed

1.1: Billmonitor (mobile phones)				
Straightforward sign up?	Compares market, so consumer doesn't have to?	Straightforward offer	Manages switch / purchase processes?	Perpetual service /ongoing relationship?
Yes (if willing to share account login). Consumer provides login details for their online account with their current network	Yes. “ analyses your usage against 3,110,196 contracts.”	Yes. “ matches you to exactly the right new contract.”	No. “will only analyse your bills - it will not carry out any commercial transaction on your behalf .”	No. But: “ alerts you when you're free to switch, then matches you to a better new contract.” It also offers monthly updates based on latest bills, including analysis that can help users optimise spend in relation to their current contract.

1.2: Carwow (new cars)				
Straightforward sign up?	Compares market, so consumer doesn't have to?	Straightforward offer	Manages switch / purchase processes?	Perpetual service /ongoing relationship?
Yes. Consumer selects car model they seek offers on, enters email, postcode, username and creates password	Compares the offers of participating dealerships.	Presents 5 most competitive offers to the consumer	N/A - consumer chooses preferred offer and then connects to the dealership making that offer.	No.

1.3: Cheap Energy Club (MSE)

Straightforward sign up?	Compares market, so consumer doesn't have to?	Straightforward offer	Manages switch / purchase processes?	Perpetual service /ongoing relationship?
Yes. Provide contact details, address and details of current tariff arrangements and usage.	Yes, for regular Cheap Energy Club model. Auction-led for its 'Big Switch Event' collective switch initiatives, where winning offer is compared against existing arrangement	Yes.	Yes. Also provides updates as the switch progresses.	Yes.

1.4 iChoosr UK (gas and electricity, broadband)

Straightforward sign up?	Compares market, so consumer doesn't have to?	Straightforward offer	Manages switch / purchase processes?	Perpetual service /ongoing relationship?
Yes. Consumer fills in "contact details and information about...current energy arrangements ."	Yes. Winning offer achieved in iChoosr auction compared against each consumer's existing arrangement.	Yes. Bespoke offer where consumer " can see how much [they] could save by switching to the new tariff."	Yes	Under development

1.5 Mobillity (gas and electricity)

Straightforward sign up?	Compares market, so consumer doesn't have to?	Straightforward offer	Manages switch / purchase processes?	Perpetual service /ongoing relationship?
Via Facebook Messenger. Also requires read only, limited access to consumer's bank account to see and analyse transactions	Yes.	Yes.	Yes.	Yes.

1.6 Saveawatt (electricity in NZ)

Straightforward sign up?	Compares market, so consumer doesn't have to?	Straightforward offer	Manages switch / purchase processes?	Perpetual service /ongoing relationship?
Yes. Download app, take photo of last bill and answer "a few simple questions ."	Yes. "Frank, your personal power assistant, will search for a better power plan."	Yes.	Yes. "When Frank finds a better deal for you, he will check you are happy with the proposed power plan and then seamlessly transfer you over."	Yes. "Every 6 months, or at the end of your contract [we'll] search and switch you again ."

1.7 Trussle (mortgages)

Straightforward sign up?	Compares market, so consumer doesn't have to?	Straightforward offer	Manages switch / purchase processes?	Perpetual service /ongoing relationship?
Yes. Complete profile and provide relevant proofs of ID and income / capital.	Yes. " We search more than 11,000 deals from 90 lenders." (close to universal coverage)	Yes. Provides a personalised mortgage recommendation based on information provided by the consumer.	Yes. " We then manage your application at every step of the way, so you can focus on doing the things you enjoy."	Yes. Trussle's market scanning technology: " runs continuously , comparing your current mortgage to new deals as they appear on the market. Once it flags a better deal we'll notify you by email. Currently, Trussle is "proactively watching the market" for c.£1bn worth of UK mortgages.

Giving consumers leverage with current providers

Some interviewees referred to instances where - rather than using the NGI as a stepping stone to a new provider - consumers were empowered to use the information provided by the NGI as leverage to themselves negotiate a better deal with their current supplier. This was particularly prevalent for users of Billmonitor. The current lack of a gaining supplier-led switching process in the mobile

telecoms market, along with the need for the consumer to obtain a PAC code from their current network to port their number, means that consumer interaction with their current provider's retention teams is inevitable. The information provided by Billmonitor enables consumers to engage in those interactions from an enlightened position, rather than being at an informational disadvantage. Stelios Koundouros, told us that:

.....the network's retention team which is then all over you trying to make a counter-offer and usually that is successful. So, in short very many people successfully negotiate is our understanding, based on our information, but they actually don't switcha far larger proportion of people using Billmonitor successfully use the information to negotiate with their current network and therefore get a much better deal.

Interestingly, because it is designed to enact and manage a switch on behalf of the consumer, Saveawatt is able to go a step further and undertake retention negotiations for its users. It offers their current supplier the opportunity to match or improve on a competitor's offer, where it has identified the competitor's offer would represent the best deal for a user. Its CEO, Tim Rudkin, told us that:

We don't have a preference to switch you for switching's sake - the incumbent retailer can keep you if they are meeting your needs and they provide a great offer.

Extent of savings being achieved by NGIs

During the interviews participating NGI practitioners were asked to indicate the levels of savings their respective services were achieving for users. Table 2, below, summarises the information that practitioners were able and/or willing to provide. In some instances, this is supplemented with information taken from the NGI's website (hyperlinked text is from NGI's website).

Table 2: savings that NGIs are achieving

NGI	User metrics	Savings*			
		Average (offered)	Lower end (offered)	Higher end (offered)	Achieved to date (cumulative)
Billmonitor (mobile phone contracts)	c. 225k have analysed bills since 2009	c.40% / £300 over contract duration	£0 ²	>£1k	
Carwow (new cars)	>1m compared offers in last 12 months	£3600 off RRP	£0 (no discount available on selected car)	c.£35k	> £150m
Cheap Energy Club (MSE)	2.6m Club members Its last six collective switches saw more than 500,000 people switch.	£200 (in collective schemes, including more people switching away from standard variable tariffs.)	Estimates frequent switchers taking as little as £50	£500-600	
iChoosr (UK) (gas & electricity)	650,000 Registered for schemes to date	£250-350 p.a.	£0-50	>£1k	£25m
Mobility (gas & electricity)		£200-300 p.a.			
Saveawatt (electricity, NZ)		NZ\$ 150 [^] p.a.		NZ\$ 500 p.a.	
Trussle (mortgages)	40% of users are first time buyers	£3500 p.a.	£1020 p.a.	£7800 p.a.	
<p>* For illustrative purposes only. Figures do not support like-for-like comparisons between NGIs</p> <p>² i.e. confirms the consumer is already on the tariff that is best suited to their needs</p> <p>[^] The 2016 figure for average household spend on electricity in New Zealand is NZ\$2,043 equivalent to c.£1,140</p>					

While the savings that users of these services are achieving will depend on individual consumers' circumstances and preferences, the above indicates that the NGIs covered in this research are already proving (or expect) to be effective in delivering meaningful savings to their users.

Unsurprisingly, in cash terms those savings are proving to be most significant in the 'big ticket' markets of new cars and mortgages. In the energy market, the average savings achieved by the GB-based energy NGIs interviewed are (or anticipate being) in line with the annual saving of "around £300" that sector regulator, Ofgem,¹⁴ currently advises is available¹⁵.

Not always about lowest cost

Although a desire to achieve savings is a key driver in consumers' use of NGI services, in some instances that can mean consumers accepting an offer that represents a *better* deal, rather than the market's *absolute best* deal. This is especially the case where the NGI presents a providers' offers on price alongside other variables, such as customer service ratings.

For example, Carwow's James Hind told us that: *of the people who buy through Carwow, 25% buy from the cheapest dealer. So, 3 out of 4 people know that they're paying more, but are choosing other aspects, such as customer service ratings, the location, or the delivery time, over the outright cheapest price.*

Although Cheap Energy Club supports and works with challenger suppliers, Archana Luthra highlighted how consumers can be sceptical about switching to brands they are unfamiliar with, even when they offer a better saving:

What we see and especially in our collective schemes is that people are more likely to switch to cheaper deals with the names that they know. We have introduced a filter that people can use to show only the offers from the big suppliers in response to this.

Mobility's Lukas Zörner echoed the brand recognition point: *but we also see from doing our research, that customers are still looking for established players. So, I think there is something for everyone, depending on which product they provide to customers.*

¹⁴ See: <http://bit.ly/2dNewLB>

¹⁵ iChoosr told us that research with users who had actively declined offers, inquired what level of saving they'd want to see in order to be persuaded to switch. Findings indicated at the start of 2016 £170 would be the trigger level, declining to £100 by the end of the year.

Section 5: what sets NGIs apart from conventional price comparison services?

As the previous section highlights, the advances in ease of use and convenience that NGIs offer, and the positive impact these have on the switching costs faced by consumers, are key aspects of what sets NGIs apart from conventional comparison services. Unsurprisingly, this was a recurrent theme in the interviews conducted for this research, as NGI practitioners contrasted their services with price comparison websites and traditional forms of intermediary service in the markets in which they operate.

Compared to conventional comparison and intermediary services

Saveawatt's Tim Rudkin told us that while price comparison sites had done a *great job* of raising the profile of switching and the savings that could be made, it was a model that still required consumers *to undertake effort to complete it*.

In his view, there are two parts to a seamless end-to-end process for serving consumers:

First of all, identifying a better deal and that's what a comparison site does; and the second part, which is where our service is different, is actually switching you to the better deal - doing all the paperwork for you including the direct debit forms; and then doing that again and again, based on certain criteria. Doing this in a way where the customer is informed and updated, so it's not like they've handed the keys to the bus to someone else and they're just a passenger, but it's really just a mechanism where all the hard work and all the painful tasks associated with switching energy providers are catered for by ourselves and we just serve up intelligent responses to the consumer that they can say 'yes' or 'no' to.

Cheap Energy Club's Archana Luthra also pointed to the service undertaking the heavy lifting for the consumer as a key difference: *It's the idea that you don't have to be keeping an eye on the market, that we'll do it for you and let you know if you can make a saving.*

Luthra also pointed to the editorial content, expertise and advice offered throughout the wider MSE website as being a key differentiator:

We offer information on more than just price – including customer service and whether longer-term fixes are worth considering in a time of price hikes. We also look at the pros and cons of an offer, such as whether you can take it with you if you move house. This content helps people make an informed decision.

Ishaan Malhi outlined how Trussle's 'do it for me' service had melded the expertise and fulfilment of the traditional mortgage broker, with the convenience, accessibility and ease of use of a technology enabled service:

What we're doing is the best of both – the advent of comparison sites made data available in a quasi-digestible format to consumers. However, that didn't empower consumers to deduce which, from the thousands of mortgage products out there, you are eligible to borrow from, or the product types that are most suitable for you. Nor do they enable you to click through and fulfil and procure the

mortgage on the site. We in 2017 are able to say: 'go online, enter your details, find a mortgage you like and we'll secure it for you and then we'll manage it for you.'

In sharing his thoughts on what sets an NGI apart, independent expert, Iain Henderson, drew parallels between NGIs and lifestyle concierge services such as [Ten Concierge](#), a service that is marketed as enabling its members:

To get the most from their lives, by helping them to organise anything that they lack the time, expertise or contacts to plan themselves.

Although Ten Concierge is targeted at high-net worth individuals, Henderson's view was that advances in technology make it possible to bring concierge-type services to the mainstream, where they can act on behalf of consumers across a range of everyday markets and tasks. He felt the most notable advances relate to the ways an intermediary can now gather, manage and utilise consumer data as a trusted partner working on behalf of the consumer.

Henderson also highlighted how NGIs can work for the individual and for the aggregate simultaneously - leveraging the spending power of the aggregate of users to achieve better deals for the individual. This aspect is already well established in the energy market, where iChoosr and others focus exclusively on group switching, while Cheap Energy Club has, on a number of occasions, leveraged its large user base to secure attractive offers from energy suppliers.

Section 6: The reaction of incumbents towards NGIs

Reaction of providers

NGIs have the potential to transform the markets in which they operate - not least by driving competition, through increases in both the level and effectiveness of consumer engagement. It is therefore reasonable to expect that some providers might be motivated to take steps that seek to mitigate the impact of NGIs. This is more likely to be the case for large retention-focused incumbents, than for smaller acquisition-focused challengers.

The interviews sought to establish a better understanding of both the extent to which the NGIs covered here were experiencing challenges of this nature, and, if so, the form these challenges were taking. As the following highlights, the interviews revealed a spectrum of supplier responses, ranging from positive engagement to outright hostility.

Not on the radar. Yet.

Billmonitor's Stelios Koundouros told us that, at this point, the service hadn't: *tried very much to make a lot of progress with them [the major incumbent networks], so there hasn't been too much reaction from them.*

He also stated that: *we're a bit too niche for them to be bothered at this stage*. As a result, the service was not seeing: *much active resistance* (although, see below for the one instance where a major network sought to bar Billmonitor from affiliate programmes).

Suspicion and reticence (at least initially)

iChoosr's co-founder, Cas Bijlholt, described how larger energy providers' relationships with the company had been hard-won over time. Bringing providers to the table had taken concerted attempts to engage them on a one-by-one basis, to demonstrate how participation in its collective switching initiatives could make business sense for them. iChoosr's successes in chipping away at the market share of resistant incumbents also served to bring that group to the table eventually:

In the beginning [in Belgium] we were not able to engage the dominant suppliers. We would talk to them, but they weren't listening - trying to learn, but not doing anything. Once the market started moving - and the collective initiatives had a role in that - the dominant suppliers lost a huge amount of customers, which effectively made it a necessity for them to react and they really shook up their organisations. They really reassessed their position and became active in the collective auctions and they are now regular bidders in our process.

Cheap Energy Club's Archana Luthra felt that the big 6 energy suppliers were: *probably not massive fans as it's moving people off pricey tariffs*. However, she also reported a shift in their attitudes from: *super, super worried to taking part in collectives and begrudgingly working in the comparison arena*. She also noted it can depend on the supplier and whether they are seeking to recruit new customers:

Different providers take a different view on it - so, for some, if their strategy that year is for acquisition then an online intermediary is a way for them to acquire new customers. They have different views on it depending on what their strategy is.

Tim Rudkin told us how, in Saveawatt's native New Zealand, the larger electricity suppliers fell into two camps: *the camp that realise that technology is changing the world and want to get on board and see how they can learn more about their customer through the likes of us and therefore retain customers longer term. And then there's the other ones that really just prefer that we disappear. That's our view.*

His expectation was that consumer adoption of NGI services would ultimately break down provider resistance, stating that: *if any business decides they don't want to listen to consumers with technology, that's a short road to nowhere with the speed that the world is changing.*

Instances of providers creating barriers to NGI services

Stelios Koundouros described how a major network's decision to discontinue certain affiliates' access to pricing information risked undermining Billmonitor's operations, as this: *would mean we no longer had access to the tariff information.*

Clearly, this could have served not only to impede a service that undertakes an exhaustive whole-market comparison in order to arrive at a definitive recommendation for the consumer, but would have also undermined Billmonitor's compliance with Ofcom's price comparison accreditation

scheme (see section 12). That prospect prompted a representation to the network from the regulator, which removed the threat.

Carwow's James Hind told us that while the company had experienced instances of obstruction and frustration, there were: *lots of dealers who realise this is an opportunity and the way that things are going to go, so they want to be first up and making the most of it.*

However, Carwow had been on the receiving end of the most determined example of supply-side resistance that emerged in any of the interviews. Some BMW and Mini dealerships had sought a relationship with Carwow, but BMW banned this. In response, Carwow took the step of reporting BMW to the CMA in 2016, asking it to investigate whether BMW's antipathy was in breach of competition law. While Carwow still awaited a CMA decision at the time of its interview with us, BMW has since revised its policies and will now allow its dealers to work with Carwow and similar internet-based new car portals.¹⁶

Positive engagement

It is perhaps telling that the newest of the NGIs interviewed, Mobility, appears to have experienced the most positive response from energy suppliers. NGI-type services have been active in the energy market for around 5 years now and, as discussed in section 2, it's the market where an NGI presence has become most pronounced during that period. This may have served to leave energy providers more favourably disposed to NGIs than providers in other regulated sectors. Mobility's Lukas Zörner told us that:

The relationship with energy suppliers has been very positive so far. The challenge is reaching out to the right people at the right time, as it always is, but in principle we have gotten a very good reaction so far.

Similarly, Trussle's Ishaan Malhi had also experienced a reasonably positive reception from mortgage lenders, in part underpinned by a recognition that the sector was not immune to the technology-driven disruption that other sectors were experiencing:

The lenders we have met and spoken to have been receptive and have been supportive to varying degrees. I think they all welcome competition. They all welcome something new. They'll all admit that digital is the way things are going, I don't think they necessarily share the same appetite for speed of change – so there's a slight hesitance when they accept our model.

Are challengers and new entrant suppliers more receptive?

As stated above and as set out in the 2014 Consumer Futures paper, challengers and new-entrants are expected to be more amenable to a relationship with NGI services - primarily because NGIs offer them a more efficient channel for customer acquisition. We explored whether practitioners had found this to be the case, or not.

Interviews indicated that broadly speaking, the expectation was being realised. For example, Saveawatt's Tim Rudkin told us that: *challengers are ultimately keen - there's limited resistance from a challenger because they don't have the resources and the margins to acquire customers as aggressively as an incumbent.*

¹⁶ CMA, 24.01.17: [BMW changes policy on car comparison sites following CMA action](#)

In a similar vein, Lukas Zörner of Mobillity stated that: *definitely, there's a difference between new players in the market and the established players out there, which definitely have different goals and different ways of going to the market.*

Billmonitor's Stelios Koundouros described how: *to some degree challengers have shown more interest because they have been interested in the potential of using Billmonitor in some form to demonstrate to consumers that they are better value or cheaper.*

However, there was some variation, potentially reflecting the dynamics of the respective markets that participating NGIs were operating in. For example, James Hind told us that Carwow's experience had been a mixed one when it came to car dealerships: *It's pretty random. We get some large groups who are very keen and on it, the same for small groups. And we get some large groups who don't want to use us, and the same with some small groups who don't want to use Carwow.*

iChoosr's George Frost described how regulatory changes had helped make its collective switching model attractive to larger providers in the GB energy market: *it's fair to say that the independent suppliers were quicker to adopt, but the regulatory environment with tariff cap, fifth tariff - i.e. exclusion from tariff cap - and cheapest tariff messaging, made collective switching an attractive proposition to the big 6, so that drew more of the big 6 in.*

Deeper insights on the potential and actual dynamics between NGIs and challengers also emerged from the interviews. Some energy NGIs outlined how challengers and smaller suppliers were 'NGI-ready' in two inter-related senses: (i) that their size enabled them to evince a much more agile mindset, meaning they could reach and implement decisions much faster than incumbents; and (ii) this was supported by modern systems, built around API architecture, meaning they could interface with NGIs much more effectively.

For example, Cheap Energy Club's Archana Luthra viewed smaller providers as being: *more flexible, more agile, more sophisticated and are using APIs [because] they have more to gain....there's much more of an incentive for smaller suppliers - they are the ones trying to gain new customers*

On a related note, NGI expert, Iain Henderson outlined how: *the number that defines critical mass is coming down all the time as technology improves.*

According to Henderson, this meant an NGI can be viable with a much smaller user base than would have been the case a decade ago. Back then any interested providers would have needed the prospect of gaining around 100k customers from engaging with the NGI, in order to justify the big IT project it would have required. The advent of APIs and the efficient interfaces they support have, by Henderson's estimation, brought that number down closer to 1k. It also means that challengers and new entrants are in a better position to work with NGIs to gain customers at a rate their capacity can withstand (see points made by other interviewees on capacity below).

Small is not always beautiful

During the interviews, some practitioners raised points relating to experiences with small and challenger providers which indicate their relationship with NGIs can be more complex than the assumptions outlined above allow for.

As highlighted in section 4, in energy at least, provider brand recognition can be a big factor for consumers when deciding who to switch to, or whether to switch at all.

In addition, Cheap Energy Club's Archana Luthra noted that smaller suppliers are not always predisposed to working with NGIs: *Some of the smaller providers won't share their rate cards, which makes it hard to present people with the full picture and up to date information.*

Luthra also outlined how the size of Cheap Energy Club's user base (>2.7m consumers) meant that whenever smaller suppliers participated in the Club's collective switching initiatives, it had to:

...run rigorous checks to ensure they could cope with the volumes in a short amount of time. They tend to participate in the smaller categories. You haven't had a smaller supplier win one of the larger categories yet, where you're getting the tens of thousands of switchers.

Finally, some energy NGI practitioners expressed concerns that some challenger providers were offering what they viewed as unsustainably low tariffs. The practitioners questioned the long-term viability of these providers and the quality of service they were able to offer; and noted the quandary this presented in terms of whether it was wise for NGIs to recommend these providers to consumers.

The response from incumbent intermediary services

We asked NGI practitioners for their perspectives on how existing intermediary services in their markets – primarily price comparison websites, but also brokers and digital publishers – had responded to the introduction of the practitioners' NGI service. Some interviewees declined this question on the basis that NGIs and orthodox intermediary services existed in different orbits and/or because the NGI practitioner felt they were not able to take an informed view on orthodox intermediaries' attitudes.

The picture that emerged from those that did offer a view was that existing intermediaries were taking a range of positions as outlined below.

Aversion

Carwow's James Hind highlighted how:

Car magazines really don't like us, because we offer the same information as them. We have editorial teams and video teams producing rival content, but we also have a lot more data and a lot more value add than they offer. Their hands are tied though because they make all their money - except for Which?, obviously - from the car manufacturers paying to advertise on their site. So, they can't offer what we offer, because the manufacturers don't like what we offer, particularly, and that would kill their existing revenue stream.

A catalyst for the evolution of orthodox intermediaries

George Frost outlined how iChoosr's effectiveness had, to varying degrees, prompted some price comparison websites to leverage the purchasing power of their user base in ways that resembled collective switching (or looked to re-package some of their activities in a collective switching wrapper):

We were consistently getting sub-market tariffs in our auctions. At that point, the comparison sites and other intermediaries were left with little choice but to enter the collective arena in some form. They weren't going to sit back and watch other organisations achieve lower/better rates for their customers.

Frost also noted though how imitation can advance NGI interests, because large price comparison websites' adoption of NGI practices can have a positive impact on suppliers: *I would say in some cases they have probably made things easier - where they have forced suppliers into a situation where they need to get the systems in place to manage the onboarding of collective schemes - big chunks of customers in one go, which has become a lot more slick.*

Carwow's James Hind described how, despite the hostility noted above, the service was proving to be a catalyst for innovation in an industry that hadn't changed for a century, stating: *now that we are in the industry and offering a service to consumers that they are liking, they [orthodox intermediaries] need to move into it as well.*

Archna Luthra felt that the success of Cheap Energy Club had: *seen comparison sites try and mimic the approach. I know one has tried to do something like Cheap Energy Club. We've also seen other comparison sites do collective switching.*

Section 7: Target audience and current users of NGI services

Through the interviews, we sought to develop a better understanding of who NGI practitioners viewed as the target audience for their services, as well as the extent to which this was mirrored in their actual user base.

Target audience

The responses we received indicated that, broadly speaking, practitioners took the view that all consumers were their target audience, or would in time become so. Even where there was some recognition that the NGI approach might be well suited to certain segments, this was viewed as a stepping stone to seeking to appeal to the whole market. A snapshot of the responses we received is given below.

Saveawatt's Tim Rudkin described it as: *marketing 101: you aim for the whole thing and then put your energy where you're more successful. But ultimately, we want a wider market and that's really just a path to market challenge for any new business.*

James Hind viewed Carwow as being: *targeted at people who are looking to buy a brand-new car.*

George Frost viewed iChoosr as being proactively inclusive: *the fact that we provide an offline service for those who either don't have access to the internet, or don't feel comfortable using an online customer journey; and the fact that we have a prepayment category and an electricity only category means that we are inclusive and catering to a broad church.*

Stelios Koundouros at Billmonitor reckoned that the service could benefit as many people as the market confused, i.e. most people: *the overall principle here is that mobile phone tariffs, just like any complex tariff, are confusing for most people. Most of them have no clear guidance on what sort of tariff they should be on and most of them will benefit from our analysis.*

Who is using NGI services?

An obvious assumption to make is that NGI-type services might only benefit consumers who are in younger, more affluent and/or better educated demographics. While this assumption as an historical basis and while it will still hold true to some extent, it risks discounting the increasing usage of the internet¹⁷ - including to make online purchase - across all demographic groups, including older consumers. Such an assumption also risks discounting the impact that the widespread usage of smartphones is having in this respect (two of the NGIs covered here are smartphone-led services).

In addition to hearing practitioners' views on who the target audience for their NGI was, we were also keen to learn more about who the actual users of their services were. Although few had precise demographic data to hand, their anecdotal responses and best guesses indicated a cross-section of consumers were using these NGI services, with some variation by market.

Carwow's James Hind explained how car buying tracked major life events, including the birth of (usually a second) child or retirement, when there was a release of capital. He described the demographic of Carwow users as:

Generally older and wealthier than the national average, because they are choosing brand new over used. The majority of our users are 55+, so it's not early adopter, young Millennials using it, it's the core of the new car market - so this older, wealthier demographic, which is predominantly male.

With regards to who was joining iChoosr's collective switching schemes, George Frost told us that:

I think - and these are assumptions - we cater for a slightly older audience and in terms of demographic it is the people who don't feel confident or comfortable in going it alone, perhaps in being internet savvy enough to use and transact by a comparison site or to pick up the phone and negotiate.

With regards to Saveawatt's user base, Tim Rudkin told us that: *it's not so much like you'd think: Millennials versus any other specific group; it is retired people who like to sit down on their computer and manage things, it's really a very broad range.*

Although Billmonitor had not undertaken systematic demographic analysis of its user base, Stelios Koundouros ventured that: *it is probably skewed to a degree towards people in relatively younger*

¹⁷ For example, [Ofcom data](#) for 2016 shows that 77% of adults in the 65-74 age group had internet access at home, up from 67% in 2014.

generations, by which I mean people who are proficient with the Internet. But we even have a lot of grannies and grandads using the service and we get a lot of thank you notes from them too.

Are NGIs only engaging the already engaged?

Beyond demographic segments, we also asked NGI practitioners if their services were only engaging consumers who would have been active in the market anyway, or whether the ‘do it for me’ nature of their services was proving attractive to those consumers who would otherwise be disengaged.

George Frost felt that: *one of iChoosr’s most significant achievements is bringing people to the market who otherwise would not enter the market.*

Frost viewed the ‘do it for me’ aspect as being effective in persuading disengaged groups to consider switching energy supplier, describing iChoosr as:

A route to market for a good number of households who arguably - a lot of them - would not have done anything and would have remained on standard variable tariffs, ignoring their supplier.

Archna Luthra told us how the *really basic nature of the questions* that Cheap Energy Club received during its collective switching initiatives indicated that: *much less engaged people are taking part. We know that the collectives are reaching people who haven’t switched before.*

Carwow’s James Hind also felt that the ‘do it for me’ nature of the service was proving attractive to consumers: *hugely - they don’t want to spend the time, or the hassle of scouring the market, which in the traditional sense literally means driving around from dealer to dealer.*

However, Saveawatt’s Tim Rudkin felt that engaging the already engaged was an inevitable starting point: *that’s the case for anything at the start. Everybody picks the low hanging fruit first.*

NGI consumer take-up to date

NGI: is that ‘N’ as in niche?

Section 4 highlights how NGIs are moving beyond proofs of concept and delivering on their potential. That includes delivering meaningful savings to consumers and offering - to varying degrees - the ease of use and convenience that a ‘do it for me’ approach enables.

However, although there are exceptions - Cheap Energy Club has more than 2.7m members¹⁸ and Carwow provided offers to more than 1m registered users in the last year¹⁹ - NGIs are, for the most

¹⁸ Assuming only one occupant per household is registered as a Cheap Energy Club member, this figure would represent more than 10% of all GB households.

part, yet to enter the public consciousness as mainstream actors in, for example, the way that larger price comparison websites have managed. The interviews sought to capture perspectives on why this might be.

Perhaps unsurprisingly, consumer trust emerged as an issue – both in terms of how distrust of a sector (especially energy, but also car dealerships) acts as a brake on engagement, as well as trust in NGIs themselves. The latter is compounded by the fact that, despite progress, for the most part NGIs remain services with relatively low profiles, low brand recognition and relatively low take-up in the sectors in which they operate.

Widespread distrust of the energy market: a plague on all the houses?

Some practitioners in the energy market voiced concern at the impact on consumer trust that vilification of the sector by the media and politicians was having. While recognising that, historically, the poor reputation of energy suppliers had been self-inflicted, it was felt the narrative focused only on the negative, thus undermining consumer willingness to engage in the energy market. For example, iChoosr's George Frost told us that:

Energy switching needs to be portrayed as a safe activity. There is a legacy of ill-feeling towards suppliers whether it's based on customer service, or face-to-face mis-selling..... We need to be telling some good news stories. We need to allow people to feel comfortable that they should and could make a decision.

Frost felt that government and trusted consumer advisors, including Citizens Advice, had a role to play in rebuilding trust. The approach that iChoosr itself takes is interesting in this respect. It works with local authorities and other trusted community leaders, who act as the public face of its collective switching initiatives.

Mobility's Lukas Zörner also highlighted the importance of rebuilding trust in the energy market:

The truth is energy companies are not enemies for anyone.....in order to build trust and engagement we need to get consumers to trust the market itself; and trust bodies in the market such as Mobility. That's our game plan - to be this body for consumers who they trust and to get people who are not yet engaged to engage with companies like ours, because we bring people back to the table and try to establish an ecosystem where everyone is involved in getting the best solution for consumers.

¹⁹ In an August 2015 profile of the company, the *London Evening Standard* [reported](#) that Carwow: *pockets a £250 fee for every sale from the dealer, sold 5000 cars last year and has already done double that so far in 2015, with turnover expected to top £3.5 million this year. If all goes to plan, it will sell 60,000 cars in 2016.* Information provided by Carwow indicates its 2016 turnover was actually in excess of £9m

To provide some perspective relative to the size of the market: the Society of Motor Manufacturers and Traders reported 2.69m new car registrations for 2016. According to Carwow's website, more than £1bn worth of cars have been sold via the service since 2011. Using the [2016 average new car price of £23,029](#), minus Carwow's claimed average saving of £3,600, this would translate as somewhere in the region of 51,000 units sold via Carwow over a 5 year period. As the *Evening Standard* article indicates, Carwow is experiencing year-on-year growth in the number of sales, so this extrapolated calculation should be treated with caution.

Despite its success to date, Carwow's James Hind also noted how an underlying distrust of a sector can colour consumers' views of any entity that operates in it, even where those entities are seeking to stand on the side of the consumer:

The biggest challenge is they don't trust car dealers. It's a stereotype that's been inherited - anyone's parents' generation wouldn't have trusted car dealers, and it makes them very wary when they go to them. That translates - because we are offering prices and the chance to buy through car dealers, there's a lack of trust throughout. If consumers could overcome that a lot more people would buy a lot more cars.

Trust in NGIs themselves

Some of the interviewees also offered views on what needed to happen if take-up amongst disengaged consumers - the constituency that potentially has the most to gain from the 'do it for me' services that NGIs offer – was to increase. Beyond the calls for action from government and other agencies highlighted elsewhere in this report, a key theme that emerged in this respect was the need to build the profile of and trust in using this new model of market engagement, not least given the centrality of consumer data to the effective functioning of NGI services.

Carwow's James Hind, outlined how - even for an NGI with strong take-up - if there is insufficient profile, trust and an appreciation that an NGI offers a more empowering route to market that can deliver real benefits, a belief that it is too good to be true will hold some consumers back:

I think what's stopping people using it, is the slight sense of worry over 'this is a big purchase that I could be doing at distance from a dealer, who isn't very close [local] to me'; and you get lots of consumers who say they went into a local dealer and paid more just because they felt it wasn't worth the risk. There is no risk! But it wasn't fully understood.

Cultivating trust and building profiles

We asked practitioners to outline the steps they had taken or planned to take in order to build their profiles and cultivate trust (trust in relation to NGIs use of personal data is discussed at section 10).

Carwow's James Hind confirmed that, despite high user numbers already: *consumer awareness is one of the biggest challenges of the business, because we're a brand-new service. We don't have a well-known brand name already, so getting that consumer awareness is key.*

Carwow was taking active steps to build awareness through TV advertising, search and word of mouth. It also had a team that created video reviews of cars that had grown to become the biggest car review channel on Youtube.

Cas Bijlholt recalled how iChoosr had decided early on to work with and through partners that were well-known and trusted by consumers: *we learnt that we were not working under our own brand, but always with partners - what we now call community leaders: organisations that are known and trusted by consumers. We realised that worked quite well.*

And that a community leader acting as the public face of the NGI, combined with the 'do it for me' service, appealed to consumers:

On the one hand because of the trust factor of having the community leader; and on the other hand, because we made it very easy for them – they [consumers] didn't have to do a lot themselves. All the research was being done, they knew they had a good deal because there was an auction model behind it and everything was taken care of.

Lukas Zörner told us that Mobillity was looking to build profile quickly, believing that:

The only way you can win in the long run is if you build a brand that consumers can trust and a brand that reflects the values for example that Mobillity reflects; and we are building a brand and establishing this buzz.

Stelios Koundouros felt Billmonitor could do more to build its brand awareness, whenever resources permitted:

We probably haven't been successful enough in the sense that we have done very little active marketing with our Billmonitor consumer service. We have relied largely on media, word of mouth and services like MSE that recommend Billmonitor, but we haven't been able to do much systematic marketing and that's largely because we haven't quite had the budget.

Koundouros also pointed to the marketing challenge that many NGIs would face relative to the resources available to the dominant price comparison websites:

I think the low consumer take-up is mainly due to a lack of marketing firepower by NGIs, which in turn is also due to a lack of ease of access to investment. Frankly speaking, the major PCWs are spending enormous amounts on marketing and advertising and that makes it pretty difficult for any other kind of price comparison intermediary service to make progress. That's my impression.

Cracking inertia

Some practitioners' responses suggested that, ironically, consumer inertia was part of the reason why NGI adoption wasn't becoming more widespread. It appears consumers can be unwilling to take even the few initial steps needed to onboard with a service that could enable them to enjoy a profitable disengagement with the market in question thereafter. That said, this may in part be a corollary of the issues relating to trust and awareness outlined above (and in relation to data at section 10).

Saveawatt's Tim Rudkin captured this sentiment well: *It's a strange situation to be in where you can see there's a saving to be made.....it's almost like sitting there with a \$100 note on the end of your desk and if you don't do anything in the next month, saying 'please just rip it up', and doing it again every month! No one would do that, but that's happening [in the energy market] so it's unlocking that apathy: how do you do it?*

Rudkin attributed this ingrained inertia to the consumer still having some work to do and a perception that: *the perceived benefits are outweighed by the perceived effort and that's the challenge. To overcome that, that's the magic - if you can create a model that flips those two views around.*

Mobillity's Lukas Zörner expressed similar views:

I think it takes quite a bit for customers to be engaged in energy, because it's not a sexy industry and nobody wants to think about it.....The - let's call it normal household - is just still not engaged enough. It's because they don't understand what's going on, don't want to spend time and money and the weekend understanding what's happening, and, as a consequence, they avoid doing anything at all. Is this understandable? Absolutely, yes.

Section 8: use by consumers in vulnerable groups

NGIs are services made possible by and delivered through the Internet. Usage of them depends on access to the Internet, possession of or access to the hardware required to get online and a degree of digital literacy. This may make it difficult for certain groups, some of whom might be deemed vulnerable, to engage with and benefit from NGI services. That's despite the fact that in some instances these might be the groups that would stand to benefit most from the services and outcomes that NGIs offer.

We therefore asked practitioners what steps they were taking to ensure their service was accessible to and could benefit consumers who might be deemed vulnerable.

The most concerted steps were being taken by NGIs operating in the energy market. For example, iChoosr's work with community leaders, such as local authorities, had seen it offer a paper-based channel. Its paper registration forms can be handed in at council offices, with offer and acceptance forms then being sent by post. It also organised outreach sessions through its partners, with George Frost telling us that:

We hold information sessions with some of our councils, where we sit in halls and people can bring their bills along and talk to someone. We have people who, when asked, tell us they are with the Gas Board. And we have people coming along with their offer saying it can't be right and so we help them with their back of envelope calculations and support their decision.

Cheap Energy Club's Archana Luthra pointed to the initiatives that its parent, MSE, runs:

We do things like our 'Switch a Gran campaign' where we tell people who are online to go out and help people switch who aren't online. We do stuff on energy grants and debt help and Warm Homes Discount and we make it possible to filter results by suppliers offering the Warm Homes Discount.

Some practitioners took the view that – in offering 'do it for me' functionality, combined with the prospect of achieving a significant saving - their NGI could benefit vulnerable consumers 'as is'. In addition, some also felt growing smartphone adoption across all consumer segments would make it easier for some vulnerable consumers to use NGI services.

Billmonitor's Stelios Koundouros told us that:

[vulnerable consumers] can use the service - that's a major step we've taken. Given that the service saves people a lot of money by comparison and can really cut their bill almost in half, I guess that's already a major step.

Saveawatt's Tim Rudkin felt that:

There are a whole heap of things that can be actioned for less fortunate parts of the community. The really beneficial thing is just about everybody [in NZ] has a smartphone now and they're not limited to the more affluent. Through that you can help communicate better deals and do a lot of complex things, irrespective of your context.

Carwow's James Hind referenced studies in the USA²⁰ which found women and black consumers are offered worse deals than white males when they negotiate for new cars. Carwow had anecdotally seen similar discrimination at play, particularly for older people: *we're aware of dealers who would normally offer a discount in the thousands, charging older consumers full price.*

Carwow's approach neutralises the risk of discrimination by intentcasting only the model of car the consumer is in the market for, without revealing any information about the consumer.

Hind also outlined Carwow's emphasis on accessible and intuitive site design, which he saw as: *being designed for my parents*. The site also offered advice on the Motability²¹ scheme, which enables disabled people to get mobile by using their mobility allowance to lease a vehicle.

Section 9: NGI business models and issues arising from these

We wanted to learn more about the business models underpinning the NGIs we interviewed, to better understand the nature of these and how they varied by service. We also wanted to explore whether the business model chosen had implications for users of the service.

We found that, unsurprisingly, most, but by no means all, NGIs are free to use for consumers. Where that is the case, revenues are derived from a commission paid to the NGI by the gaining provider, whenever a consumer opts to switch to, or purchase, an offer from that provider via the NGI.

A dependency on payment from providers, rather than users, risks incentivising the NGI to prioritise its own interests over those of consumers. In that scenario, offers from the provider(s) paying the highest reward to the NGI would be prioritised, rather than an impartial prioritisation of the offers representing best value for the user. Practitioners outlined a range of steps that were being utilised to mitigate this risk, including flat commission fees, agnostic algorithms and auction models.

²⁰ See: Ayres, I. & Siegelman, P., [Race and Gender Discrimination in Bargaining for a New Car](#), *The American Economic Review*, Vol. 85, No. 3 (Jun., 1995), pp. 304-321.

²¹ See: www.motability.co.uk/about-the-scheme/.

To be free, or not to be free?

Of the seven NGI services we interviewed, all but Mobillity offered a free to use service to consumers. When asked why this approach had been taken, some practitioners told us that free was the new normal when it came to online services (including price comparison websites) and as such, it is what consumers have grown to expect.

Stelios Koundouros told us how the decision to not charge was based on user feedback:

We actually surveyed consumers - our own user base - who had been using Billmonitor for a while to see how many of them might be receptive to a fee-based service. The indication was incredibly few would be willing to pay for the service, so that was going to be a major risk as a business model.

Similarly, Saveawatt's Tim Rudkin felt the model would prevail: *this will be the model going forward for the simple reason that consumers expect everything for free now.*

Some practitioners emphasised their belief that in scenarios where consumers lack the inclination to engage in the first place, charging a fee would only serve to further deter engagement. Carwow's James Hind viewed it *as a massive barrier to have to pay for anything on the Internet*, while iChoosr's George Frost told us that:

I'm sure if you talk to a room full of behavioural and marketing experts they would say if you charge someone for something then they are more likely to see it as of greater value. However, I think if you are trying to engage the disengaged, starting the conversation with 'give us some money' is not going to work for our types of customers.

Trussle's Ishaan Malhi stated: *We don't charge a fee to the consumer. Ever. Most brokers will charge a fee to the consumer to cover their time – anything from £500 to 1% of the mortgage cost.*

Malhi viewed this approach as a means of democratising access to mortgage advice: *we don't believe that good mortgage advice should be made any more or less accessible to one person versus another. We thought it should be freely available to everyone.*

Free to use shouldn't mean free to abuse

As stated above, wherever NGI revenues are derived from providers paying commission fees, there is a risk of bias towards the providers who pay the most and, ultimately, provider capture. However, for any service that claims to stand on the side of the consumer and serve only impartial information, such a practice would prove toxic to consumer trust. We asked practitioners offering free to use services to outline the steps they had taken to guard against this risk.

Algorithmically assured impartiality

Tim Rudkin outlined how Saveawatt is: *upfront about the pricing, our algorithms are mathematically driven - they're all pure and don't favour one retailer over the other.*

Rudkin also highlighted how hard-won consumer trust played an important role in ensuring the service remained impartial:

This is where it comes back to wanting the customers to be our fans - if we start compromising that position for a small financial gain somewhere, it's a very short-term strategy and given that consumers are not contracted to us - they can effectively fire us at any point in time.....it would be the beginning of the end for us. Having that consumer trust is a great anvil to have sitting over your head, because if you break it, it's not a good place to be.

Stelios Koundouros outlined how impartiality was integral to Billmonitor's service:

In our case our whole technology and vision relies on being completely network agnostic and just aiming at ranking results based on savings. As simple as that.

Koundouros also outlined how, from time-to-time, mobile networks offer enhanced commission payments via affiliate marketing networks as an incentive to sell their contracts – a practice that can serve to influence how conventional price comparison sites presented results to consumers. However, because the cold, impartial eye of Billmonitor's algorithms is network agnostic, its results are not influenced by this practice. In addition, Koundouros described how the Billmonitor model chimed with the expectations of Ofcom's accreditation scheme:

To have Ofcom accreditation you need to be completely transparent about how you get paid and also to reflect to Ofcom that your calculations are accurate and how your ranking works and all that stuff. So thankfully, in our case, Ofcom accreditation takes care to a large extent of reassuring consumers that the service is impartial, that's one of the pillars of accreditation.

Ishaan Malhi described how, like any other mortgage broker, Trussle earns a procurement fee from the lender, but that its algorithms prevented any bias towards higher paying providers:

Our advice is algorithmically driven and we want to be purely objective. So, how much we get paid by different lenders does not form part of our recommendation algorithm....We don't know as far as the algorithm is concerned who pays us more, or who pays us less.

Flat fee model

Some of the NGIs we interviewed charged all providers the same flat fee, thus removing any risk of bias towards any supplier offering preferential payments.

Saveawatt's Tim Rudkin viewed this approach as a key factor in building user trust:

This is again where you have to gain the consumer's trust and show that you are not pushing them to a particular retailer for financial gain and to do that we don't prefer one retailer over the other, so it's a flat pricing structure. We don't have a preference to switch you for switching's sake. If the incumbent retailer keeps you, we can be equally monetised, so our motivation is what is best for the consumer. So, it really is an ability to demonstrate we are operating in the best interests of the consumer. But, as a business, you also need to be able to survive.

Saveawatt sets out that it receives a commission upon the consumer switching (or deciding to stay with their current supplier) in its terms and conditions.

Carwow also utilised a flat fee model, which was charged once an order had been completed. James Hind viewed this approach as integral to the impartiality of the service, telling us that:

What we're very proud of is that we charge a flat fee to everyone. So, if you buy a Bentley or a Hyundai, the fee is the same. Every dealer without fail pays the same fee. It means we are removed from bias as to which car you buy and where you buy it from, so we're not acting in the interest of one party because we're paid more from them. Or promoting them because we're paid more from them, it's a fair, level playing field. Unlike most comparison sites.

Hind also added how:

Our algorithm always makes sure the most competitive offers are displayed. We play around with it all the time, but at the moment we display 5 offers.....[the offers] that we think are most relevant. These are defined by a whole range of factors - price, location, stock availability, quality of service, trading performance etc. Again, we have no reason not to promote anything because it earns us different money.

Carwow sets out that it receives a fee from dealers in the footer of its website and in its terms and conditions.

iChoosr also works on a flat fee basis, with George Frost telling us: *we charge a flat fee, so we're not in separate negotiations with different suppliers - it's a flat fee and it's a take-it-or-leave-it.*

The reverse auction model developed by iChoosr for its collective switching initiatives - whereby suppliers compete to offer the lowest tariff to the collective group – also serves to build impartiality into the iChoosr model. George Frost described it in these terms:

I think our approach offers greater transparency to the suppliers. We invite suppliers to submit bids on the median consumption in 5 different categories and we then share with the suppliers participating in each of those categories the lowest of the bids, but at no stage do we say who it is; and at no stage do we disclose who all of the participants were in each of the auctions. It's on public record that we have a good mix of both big 6 and independent suppliers who have won and there are many suppliers who have participated and not won, so I think the model that we have got appears to work.

Cheap Energy Club's Archa Luthra outlined how MSE's legally binding [Editorial Code](#) (implemented following Moneysupermarket.com's takeover of MSE in 2011) separates the company's editorial and commercial divisions and preserves MSE's ethos of 'helping the consumer first'. The Club's commitment to ensuring users are on the cheapest tariff guides which offers are presented to consumers and ensures it too is agnostic as to the commission being paid by the supplier.

Cheap Energy Club's website is also transparent about the commission payments it receives (indeed, it splits these with users), stating:

Does MSE make money from this? Suppliers pay £60/dual fuel switch (£30 single fuel) to comparisons and collective schemes; we give £30 to you as cashback (£15 single fuel).

Much of the rest pays our data & switch suppliers, leaving us with hopefully £11ish per dual fuel switch. That pays the team who work on this, and hopefully leaves some profit.

Pay to use services

Not all interviewees were advocates for NGI services being free to use. NGI expert, Iain Henderson was critical of the approach, viewing a consumer pays model as being the better way of ensuring the NGI's interests were aligned with their users:

The [free] model is broken for that reason [the risk of provider capture], but people do it because they don't think they've got any other options. I think it's flawed from the start and it means some current NGIs aren't optimising for the individual's interests, but optimising for their own interests.

Mobility derives its revenues from taking a share of the estimated savings²² it achieves for the customer. Lukas Zörner viewed this approach as playing an important role in building consumer trust:

We have done a lot of research with consumers and what's missing in the market is trust, because consumers currently lack an institution they can trust with all their financial decisions. In order to align our incentives with consumers, we have to give them the best options available. If you want to have a service which gives advice to customers on an ongoing basis, you need to establish true trust with customers, and in order to do that it doesn't make sense to invest only in marketing, but your business model needs to reflect this as well. Because if your business model doesn't reflect that, well how can you make sure that you're doing the best for your customer and that every algorithm you program is built in a way that you do the best for the consumer? And this big difference in ethos is one of the main reasons we decided to go with this model to provide consumers with a completely impartial choice.

iChoosr's George Frost sounded a note of caution on paid for models, pointing out that payment did not automatically guarantee a service's impartiality:

My advice for anyone - having been involved in both the business and domestic energy market for 10 years - is just to check with anyone who is charging you, to ensure that they are not also taking a commission from the supplier.

²² [Mobility's terms and conditions](#) state the following: *Mobility charges you 10% of the estimated yearly savings we can achieve for you over a period of 12 months.* The charge is paid through a monthly Direct Debit.

Section 10: Earning consumer trust for data intensive services

Ctrl-Shift's 2014 report for Consumer Futures set out how the management of personal data will be a defining characteristic of NGI-type services, without which trust-based personalisation of recommendations and services is not possible. It stated that: *empowering consumers with their own data is a sine qua non of genuine consumer empowerment.*

As noted at sections 3 and 13, in order to fully realise their potential and optimise their functions, NGIs operating in markets where the relationship between the consumer and provider is ongoing (e.g. utilities, financial services), require access to machine readable consumer data. These data relate to consumption patterns and transaction histories and are held by the consumer's current provider. Once in possession of these data, NGIs can exploit them on behalf of their users and provider greater personalisation, greater accuracy and additional functionality.

As is highlighted in the key developments document at appendix 2, while the government's Midata initiative was intended to provide the means by which this kind of data sharing could take place, progress has been slow and its application has been uneven across sectors. The data portability aspects of the EU's General Data Protection Regulation, along with the Payment Services Directive 2, promise to accelerate developments in this respect. In the interim and as highlighted below, NGIs such as Billmonitor and Mobillity have developed workaround approaches, including authorised read-only access to consumers' online billing accounts.

Alongside impartiality in the offers presented to consumers, data is another key area in which the long-term success of an NGI will depend on it being able to demonstrate to consumers that it works on their behalf. It will need to show it can be trusted to exploit personal data for the consumer, rather than exploit the consumer for that data. If an NGI is shown to mislead consumers in this respect, it is likely to have a catastrophic impact on its brand.

The experiences of some practitioners participating in our interviews, alongside the findings of consumer research²³, indicate that consumers are, with good reason, inherently cautious when it comes to sharing data with intermediary services. This is especially the case if the brand is unfamiliar and/or where consumers might deem these data to be of a sensitive nature, for example itemised phone bills, bank account details and spending histories.

²³ For example, see:

[Fairness and flexibility Making personal data work for everyone](#), Citizens Advice, July 2016; and [Price comparison websites: consumer perceptions and experiences - A report by RS Consulting for Consumer Futures](#), Consumer Futures, July 2013

Measures taken to ensure consumers can be confident in how their data is used by NGIs

Carwow's intentcasting model – where a consumer's vehicle requirements are broadcast to the market, in an anonymous fashion – is a key selling point for the service. James Hind told us why he had pursued this approach:

I think it's just kind of common sense. Everyone hates being rung up by someone trying to sell them something - no-one wants to be cold-called by a car dealer. So Carwow just gives the consumer the choice over, if it all, they want to contact one of the dealers. It gives you the choice over how the dealer is contacted - whether it's sending an email, or written communication, or a visit, or call, or requesting a call. It's all about freedom of control.

Hind also noted that, despite the clear messaging on this approach, some users remain wary:

We still get people ringing up the customer service helpline or on live chat asking, 'am I going to be called by lots of dealers now?' And we have to reiterate no, no, no.

Saveawatt works on the basis that: *users own and control their own personal data which is kept secure in a personal cloud platform.*

Standard best practice on protecting consumer data and privacy, including clear privacy policies and commitments not to share or sell-on data to third parties were commonplace.

Archna Luthra described how MSE's legally binding code prevents Cheap Energy Club's users' data from being shared with, or accessible to, MSE's parent company, Moneysupermarket.com. Luthra told us that protecting user data:

.....is a cultural thing for MSE. We would never hand data over to third parties, unless it relates to the delivery of the service. We would never sell data. We have all the normal technical standards in place to protect people's data.

iChoosr's George Frost told us it had: *terms and conditions and a privacy policy that are clearly signposted at the point of registration. And beyond that we don't use people's data or pass it to anyone else other than to facilitate the switch they have requested us to do. So at no point will someone who has registered through us receive information from a third party as a result of that registration.*

Lukas Zörner outlined how Mobillity has:

.....a very clear privacy policy and terms and conditions for the consumer. We are clear that, for example, private data is never sold to anyone, because it's not the way we want our data to be treated. And we use the data to deliver more and better value. So, we don't just ask for more data for the sake of asking for more data, but to provide a better and more suitable, tailored service to our consumers.

Ishaan Malhi outlined how Trussle uses *bank grade security* and has *had penetration tests*. It also only ever uses consumer data to deliver the service, it is not shared with third parties.

Perhaps unsurprisingly given its need for users to provide online account login credentials (in the absence of Midata arrangements for the sector), the issue of gaining trust in relation to personal data was most pronounced for Billmonitor. Stelios Koundouros outlined how it has:

...tried to explain what we do with the data - we put emphasis on security and encryption of the data and advertise that on the website. I guess all the standard things that we could think of that we could do on our own. That said, I still think an average consumer is looking at a service like Billmonitor, if they've never heard of it before, and wondering 'is this enough?'

In addition, Koundouros described how a major challenge has been: *convincing users to hand over their login and password for online billing. That's a trust which is not that easy to earn from users.*

He outlined how a functioning Midata could offer part of the solution in this respect:

I would have very much hoped we would get around that [users needing to provide login credentials] with Midata and make it easier. If there was an API that can be provided by the networks that would certainly make life easier; and if Midata really embraces and gives some sort of stamp of approval to services that operate in this space, so that consumers could trust them even more, that would also help.

Building trust around data use through official endorsements and accreditation

We asked practitioners if they felt a formal endorsement of their data practices, potentially required and adhered to as part of a wider NGI accreditation scheme, could play a role in building consumer confidence in relation to data. Such an endorsement might take the form of a data trust-mark conferred by, say, the ICO, government or a consumer body; or be a BSI or ISO standard)

Saveawatt's Tim Rudkin viewed this as:

Very important, particularly for a new NGI coming out, because you're dealing with personal information - often gaining things like bank account details and a lot of very sensitive personal information. So those sorts of endorsements are very, very important to gaining consumer trust. Without trust you are dead in the water.

Billmonitor's Stelios Koundouros felt that government-led accreditation of NGI data practices should form part of the Midata initiative. He felt this would serve to raise the profile of NGI services and build consumer trust in how NGIs used their data. He stated that:

It would reassure consumers by and large. Clearly, it might be an investment that we would be required to make, because it might be a strict accreditation scheme, but I think it might be very beneficial at the end of the day, if it's also advertised by the government.

Mobility's Lukas Zörner made a similar point, calling on *everyone in the ecosystem* to highlight the benefits that NGIs utilising advanced technologies could deliver for consumers: *so that consumers become more familiar with more advanced products, which help them to save more money, in less time than established comparison products.*

Section 11: The future for/evolution of NGIs

We asked interviewees to think to the future and share their thoughts and /or aspirations on how NGIs might evolve in the coming years – both in relation to developments we might see with practitioners' own services, as well as in the market more generally.

The future for NGIs in general

Some of our interviewees felt that a confluence of technology, consumer demands and the state of competition in certain markets, meant that NGI-type services would inevitably play a much bigger role in the coming years. For example, Billmonitor's Stelios Koundouros suspected that:

It's sort of inevitable that NGIs will grow in the long-run, you know, it would seem crazy in a decade's time if people are still manually putting in all kinds of data.

However, Koundouros qualified his expectation by further highlighting how, for NGIs to grow, progress was first needed on building consumer trust around how their data is used:

There is a challenge not only for the NGIs, but also for government as well, to reassure consumers in a constructive way that giving up their data will be useful and beneficial to them. I think a lot of consumers are getting increasingly concerned - not just in the NGI space, but even with Facebook and so on - that masses of their data is being used and abused. I think it's an important thing ahead of us to resolve, before NGIs themselves can also make big progress.

Mobility's Lukas Zörner believed we would start to see more NGI-type services, providing the right frameworks with regards to technology and data could be implemented. He pointed to the precedent being set by FinTech in the banking and wider financial services markets, as the precursor for what we would start to see in other sectors:

A very good example is the financial space where, with the new regulations coming into place, we have seen a new industry - the FinTech industry - rising out of nowhere to become a very big industry. That is something that can happen and should happen in the energy space. In order to get there however, there needs to be a very clear steer to ensure technology and the data aspect of technology is more aligned; and there's more work to be done to facilitate the exchange of important data between all of the parties involved in the ecosystem.

Service specific developments

Archna Luthra relayed how Cheap Energy Club would be looking at offering delegated authority auto-switching, once the concerns it had identified in this respect (see section 12) were satisfactorily addressed.

Tim Rudkin told us of Saveawatt's goals to:

.....change the way that people manage their power for their house going forward. It's a pretty lofty goal, but that means changing a whole bunch of habits and things that people have done in the past. But....would you have said ten years ago that the phone was going to be the most important thing that people have and everyone spends their life looking at it? Not a chance. But habits do change.

George Frost outlined how iChoosr is developing the means to have an ongoing relationship with its users, as well as:

Looking to see what other needs our customers will feel comfortable being met by us. This will be with the same criteria that: it has to be a scenario that works for us, it works for the supplier and it works for the customer and if there is a community leader involved, then it works for the community leader as well.

Carwow is looking at the potential for broadening its service to nearly-new used cars, as well as car financing, with James Hind telling us that:

We're working on understanding car finance better. It's a very non-transparent, hidden process that you generally have to do at the dealership.

Section 12: the response from regulators

Are regulators proving to be receptive to and understanding of the potential that NGIs offer?

If NGIs realise their potential for driving increases in both the scale and effectiveness of consumer engagement, this would have a transformative impact on the health of competition in the energy, financial services and telecoms markets. As such, NGIs are arguably better placed than orthodox intermediary services to support the regulators of these markets, as well as the CMA, in delivering on their respective competition aims. We were therefore interested to hear from NGI practitioners whether regulators had been willing to engage with them; and whether they had grasped the potential that NGIs offer.

The following sets out the perspectives we heard on a sector-by-sector basis.

Energy (Ofgem)

Archana Luthra felt that Cheap Energy Club had: *a fairly good working relationship with Ofgem, which may be because we're quite well known and quite vocal. We have meetings to share information and provide insight.*

Mobility's Lukas Zörner felt that Ofgem: was *absolutely aware* of the role NGIs could play in driving competition in the sector.

iChoosr's George Frost told us that: while the company had enjoyed a *very good dialogue with Ofgem*, that has been less frequent recently. He puts this down to: *people moving on and - perhaps unsurprisingly - they've had a two-year CMA investigation on their plate. And given that, in their own words, 'collective ain't broke and so we're not going to fix it.'*

Financial Services (FCA)

With regards to the FCA, Trussle's Ishaan Malhi took the view that, relative to other jurisdictions:

We have got one of the more flexible and open-minded regulators here. Things like the [FCA's] Innovation Hub, things like Innovate Finance, things like Upscale, which we're on that recognises the fastest growing UK start-ups and is a UK Government backed initiative by Tech City, a lot of things like that show the support for fostering innovation in the country.

Telecoms (Ofcom)

The interviews revealed contrasting perspectives on Ofcom's responsiveness.

Billmonitor has had a longstanding relationship with Ofcom as a member of the regulator's accreditation scheme for price comparison services (see below). Stelios Koundouros told us: *Yes, they have been willing to engage with us. We've had several meetings and they have taken on board our points, for sure. I think they do definitely understand the role that we can play in driving greater consumer engagement and competition. That said, Ofcom also have many, many other priorities and so I wouldn't say we have been top of their list at all. They are supportive and interested, but in the wider context of the many, many things they are doing.*

iChoosr recently expanded its collective switching initiatives to the broadband market, with the completion of a pilot initiative. Its experience of dealing with Ofcom has been less positive, with George Frost telling us that: *we have failed to engage anyone from Ofcom in any meaningful sense in what we do; and they haven't shown any particular interest in our ability to engage the disengaged, so perhaps that is a case of us having to deliver and then perhaps we will pick that line of discussion up again.*

CMA

As outlined at section 6, although it does not operate in a regulated sector, Carwow had reason to report to report BMW to the CMA when the automobile manufacturer prevented its dealerships from seeking to sell vehicles via Carwow. It was Carwow's view that the CMA had demonstrated a willingness to engage with it on this matter and give due consideration to its grievance that BMW was in breach of competition law.

Perspectives on the outcomes of the CMA's energy market investigation are covered below.

Wider regulatory environment

Although speaking from his experiences in New Zealand, Saveawatt's Tim Rudkin offered a perspective that likely resonates with NGIs across territorial and sectoral boundaries. He noted that:

Regulators have a very difficult position in terms of their mandate, which is to ensure continuity of supply and that there is a reasonable level of competition and innovation occurring. And they have to negotiate with all the different participants in the industry.

However, Rudkin added this can mean that:

When something like an NGI comes along, the NGI's view on what makes the process easiest and best and most simple for a consumer may not necessarily work with a retailer and sometimes they [the regulator] have to take a position in the middle.

In Rudkin's view, whenever regulators decide to let the market resolve this tension, incumbent providers can drag their feet and this can be detrimental to the interests of NGIs: *if the industry doesn't have a vested interest in sorting it out, that just adds time and challenges and costs, and you're dealing with some very large incumbent retailers.*

The slow pace of change can be compounded by a regulator needing to be mindful of the risk that its decision could lead to unintended consequences, potentially with negative implications for the regulator itself (i.e. judicial review). According to Rudkin, this means: *It can take a long time to make a decision. And that time and the inability to move quickly is a massive challenge for someone like us from a regulator. If they could jump quickly and make amendments based on feedback that would be great, but they're regulators and are constrained by their processes.*

Are specific regulations acting as a barrier?

We also sought to understand whether NGI practitioners felt there were instances where current regulations (or lack of regulations) were hindering the operation of their services, or preventing them from meeting their full potential.

Energy (Ofgem)

iChoosr's George Frost expressed a desire for regulatory clarity:

I think I have felt frustrated. For example, there was an open letter and guidance on cheapest tariff messaging that came out in 2015. While I welcome the intervention, I have found it very difficult to get any clarity as to how some of those elements should or could be interpreted by us and others in the market, to help ensure we continue to operate within the realms of the Confidence Code, for which we're not accredited, but which we choose to keep ourselves abreast of.

Frost also wanted to be sure of fair treatment vis-à-vis Ofgem's approach to other intermediary services that operated along more orthodox lines:

From our perspective, we are running a scheme and I need to understand the extent to which we are on a level playing field with everyone else. So, an example of this - which to a certain extent has now been resolved - relates to how we were running and continue to run closed collective schemes. This meant that we needed to adapt to how the rest of the market is operating and we did adapt to that. But then all of a sudden, we're in a situation where the comparison sites were being encouraged to work with suppliers on exclusive tariffs on an acquisition only basis, at which point, why would a supplier want to win a collective scheme when they can provide an exclusive acquisition only tariff?

Where, in a collective environment, it would apply to their existing customers as well? So, I think we have been tossed around in the swell a little bit.

While Mobillity's Lukas Zörner felt that *the market is moving in the right direction from the regulatory aspect*, he was critical of the lack of a standardised tariff database, which he viewed as something that Ofgem needed to address:

That shouldn't be too difficult to create, because the regulator needs to look at this anyway. And actually, with the potential new tariff regulation - which allows energy companies to provide more complex tariffs to their customers - we still believe there needs to be a central regulatory body that can make sure the tariffs actually being offered to customers make sense and are understandable. Zörner viewed the lack of a mandated tariff database as one example of *the absolute inefficiencies which are in the market*, stating that:

Building up your own tariff database is something which is taking a lot of time and should actually be done by the regulator. Because, when the tariffs become more complex in the future, we think there should be a central body which can help in these calculations and streamline them across all of the parties that are out there.

He viewed a tariff database as a key component of a wider vision for what is needed from the energy industry, in order for NGIs to reach their full potential. Alongside energy suppliers implementing: *APIs to a central tariff database to give tariff updates, [enabling] third parties like ours to use API codes to call the central database and get a real-time update on these things*, Zörner also envisaged services like Mobillity being able to: *access consumer data customer data more easily with the consent of the customer via API systems.*

Cheap Energy Club's Archana Luthra cited Ofgem's personal projection obligation as a concern. Energy providers are required by Ofgem to provide a personal projection²⁴ on bills, which forecasts energy expenditure for the coming year. If the consumer is currently on a fixed term tariff that is due to expire during the forecast's timeframe, the projection will factor this in. Price comparison sites have utilised the same formula when comparing tariffs. Luthra viewed this as problematic because:

It can overinflate savings and is potentially encouraging people to switch when they shouldn't be. We've lobbied Ofgem on this repeatedly. We've changed our functionality to allow people to compare in a much clearer way. Sometimes Ofgem doesn't think about the unintended consequences of their policies.

Luthra also touched on two future challenges that are relevant to energy NGI services and that she felt the regulator needed to anticipate and develop a response to. The first was around the idea of delegated authority, where a consumer can authorise an NGI to implement switches on their behalf, without first seeking their approval. Luthra was concerned that:

There's currently nothing there that covers this. We want there to be some structure around it..... if we start doing it, then you'll probably get other people start doing it and you don't want cowboys coming in to do that sort of thing. We have spoken to Ofgem about it, but the speed and pace at which a regulator can move doesn't necessarily mirror the market and other developments.

The second challenge related to the future of tariff design. Noting that the market has already seen the introduction of more innovative products- such as a fixed price, unlimited energy consumption

²⁴ For further detail on this issue, see: [Energy bills mislead with phantom savings offers](#), BBC News, November 18th, 2016.

tariff, or free energy on a Saturday, and that smart meters would likely accelerate this trend, Luthra expressed concerns that:

The accreditation rules around price comparison are not very flexible in terms of accommodating those sort of innovative tariffs.

She also noted the challenge that a trend towards more innovative tariff structures would start to pose for Cheap Energy club and other NGI services:

We need to go away and think about how a user would input the necessary information – we’d start to need to understand what their daily usage patterns were, rather than just an annual usage figure, to be able to give them an accurate comparison, or a good idea of whether that tariff is financially beneficial to them or not.

Successfully accommodating this kind of tariff innovation presents a data access problem for NGIs (in addition to those highlighted at section 10). Addressing it would require a direct feed from the consumer’s smart meter, via the Data & Communications Company (DCC). This would give the NGI the granular data required to support accurate comparison calculations.

Telecoms (Ofcom)

Any consumer looking to switch their mobile network provider and seeking to take their existing number with them, is required to engage with their current network in order to gain a PAC code that they can take to the new network, in order for the number to transfer. As highlighted at section 4, this arrangement gifts the current network a touchpoint at which it can actively seek to dissuade the consumer from switching through a range of retention measures. Billmonitor’s Stelios Koundouros pointed to this switching model as being one area where existing regulations hindered the service:

The PAC code is one - so a lack of regulation that would allow the new provider to ask for the PAC code from the old provider - which Ofcom is currently looking into and has been for a while now – that definitely hinders the operation big time.

Ofcom has announced plans to overhaul switching in the mobiles market. It has presented two options for achieving this, one of which is a gaining provider-led switching model, for which it has declared a preference. As the name suggests, a gaining provider-led model would see the new network action the PAC request. Despite consulting on the options in 2016 and expecting to reach a decision during autumn 2016 an announcement is still awaited.²⁵ The gaining provider-led model is one of which Koundouros approves: *I’m not sure what solution they will come up with, but obviously, a gaining supplier-led model would be one that could make progress.*

Other

In an example of where existing regulation works in favour of NGIs in a sector, Carwow’s James Hind cited the *Supply of New Cars Order, 2000*, which bans price discrimination, controls pre-registration

²⁵ Ofcom, 23.03.16: [Simpler, speedier switching for mobile customers](#).

NB: while this was correct at the time of drafting, in May 2017 Ofgem announced its decision. Rather than the gaining provider-led model, it has instead opted for a ‘text-to-switch’ model. See [Ofcom announcement](#).

and prevents restrictions on price advertising,²⁶ alongside block exemption regulations. With regards to this regulation, Hind was of the view that:

I think it has protected us. Everyone except for BMW has accepted that to try and block what we do - so to try and block how and where their dealers advertise etc., how they set the prices and what the prices are - would be outright illegal. If that regulation was removed, the manufacturers would definitely want to go back to un-transparent days.

Regulators' accreditation schemes for third party intermediaries.

In the energy and telecoms markets the respective regulators, Ofgem and Ofcom, operate accreditation schemes that govern the activities of accredited third party intermediary services. Ofgem's Confidence Code insists that: *members follow key principles, providing reassurance to consumers about the independence, transparency, accuracy, and reliability of the service.*²⁷ While Ofcom's price comparison scheme accredits services that have been independently audited on whether: *the information provided to consumers is accessible, accurate, transparent, comprehensive and up to date.*²⁸

While these accreditation schemes serve a valuable purpose for consumers, both have their origins in an era when orthodox price comparison websites were the only online intermediary game in town. We therefore wanted to understand the extent to which NGIs operating in these sectors had sought to engage with accreditation and what their experiences had been.

Ofgem's Confidence Code

NGIs operating in the GB energy market were acquainted with the Confidence Code, but none were members of it. While the benefits of accreditation were recognised and there was interest in it, all were of the view that in its current incarnation the Code was unsuited to their respective NGI models. Unsurprisingly, they wanted to see either a modified Code that could accommodate NGI approaches alongside orthodox price comparison, or dedicated accreditation schemes for NGI services.

For example, while Mobillity had looked at the Confidence Code and recognised the important role it played, Lukas Zörner was of the view that: *there are shortfalls to the current Confidence Code, which we think are not currently being addressed and make it more tricky for companies like ours to provide a service under the Confidence Code..... If it hinders innovation or doesn't give enough breathing room for innovation, then it becomes tricky.*

Zörner felt a standalone accreditation scheme for NGIs would be inefficient and would prefer to see innovative services accommodated in the current Code.

Whereas iChoosr's George Frost advocated for a dedicated code to cover collective switching:

My personal opinion is that a collective code would be better than trying to shoehorn collective switching under a comparison site code. I believe in free markets, however, I think that within a free

²⁶ See: www.gov.uk/government/publications/the-supply-of-new-cars-order-2000

²⁷ See: Ofgem, [Confidence Code - code of practice for online domestic price comparison services](#)

²⁸ See Ofcom, [Price Comparison](#)

market a set of guidelines would prevent traumatic tacking from one side to the other and about turns when inevitably boundaries are tested by market participants.

Ofcom's price comparison accreditation scheme:

Although Ofcom's accreditation scheme was relevant to two of our interviewees, Billmonitor was the only member of the scheme and had been so for a number of years. Its founder, Stelios Koundouros, spoke favourably of the benefits that accreditation had brought.

First of all, it has really helped our brand and any partnerships that we've managed to create and progress based on being an Ofcom accredited brand has been very helpful. It's been very helpful dealing with consumers directly, many of which echo back to us that they trust us because of the Ofcom accreditation. It's also been helpful in the sense we have established a relationship with Ofcom itself, based on which we've been able to resolve some issues and get some help when required.²⁹

As a new entrant into the broadband market, George Frost told us iChoosr have looked at it, but that it: *doesn't really fit with what we do and it is not an easy task – it's not something we are looking to do at the moment.*

CMA recommendations following its 2016 energy market investigation

The CMA's energy market investigation represented a defining moment in the development of GB's liberalised energy market. The investigation followed a decade of questioning around the health of competition and the extent to which the market served consumers well. It was initiated despite various regulatory interventions during that time to address the failings of the market. As such, the CMA investigation offered a clear opportunity to think afresh about the remedies that could be deployed to make a reality of competition in the energy market. Within that opportunity was the possibility of embracing new, innovative approaches to consumer engagement, as well as the insights of behavioural science that have come to the fore in the last decade (and the two are not mutually exclusive).

As outlined at appendix 2, the CMA's proposed remedies included steps for: *enhancing the ability and incentives of third party intermediaries to promote customer engagement.*³⁰ Alongside recommendations to the Department for Energy around the Midata programme, that would: *give intermediary services increased access to more customer data and, in so doing, enable them to monitor the market on behalf of their customers and advise them of savings.*³¹

The CMA also proposed a secure, Ofgem-controlled database containing details of consumers who had been on their current supplier's default standard variable tariff for more than 3 years. Rival suppliers would be granted access to this database, enabling them to direct market to the consumers it identifies by post and offer them cheaper deals.

However, in reading the remedies, it appears that the CMA has orthodox comparison sites in mind as the primary vehicle for these proposals. It is likely that in implementing these remedies, the more

²⁹ See section 6 for an account of how Ofcom accreditation helped Billmonitor fend off a network's threat to withhold tariff information.

³⁰ [Energy Market Investigation - Summary of Final Report](#), CMA, June 2016.

³¹ Ibid.

innovative of the orthodox comparison websites will start to look and feel more like NGI services. However, that does not negate the point that the potential inherent in NGIs to drive energy market competition through greater, more effective consumer engagement, was largely overlooked by the CMA. We asked energy NGIs for their views on the CMA's proposals, including whether they felt this had been a missed opportunity.

iChoosr's George Frost was of the view that orthodox comparison sites play a valuable role for consumers who want to engage via that channel. However, he did not believe: *that the good work the comparison sites do is a silver bullet to cure consumer disengagement with suppliers*. He also felt that: *the final report issued suggested that a lot more heed had been paid to the bigger participants in the intermediary market, rather than the smaller ones*.

With regards to the CMA's database proposal, Frost was interested to see what could come from this, but given the complexities that arise from passing consumer data between suppliers to support marketing, he was concerned about the problems that could arise. Consistent with iChoosr's model of working in partnership with trusted community leaders, his own suggestion was that: *third parties such as local authorities might be better placed to communicate to audiences*.

Mobility's Lukas Zörner felt the CMA had identified what customers want and *realised there is a place for services like ours*, but took the view that some of its remedies were: *not necessarily going in the right direction and could be solved in a better way. Especially through more advanced technology*.

Zörner also contrasted the CMA's energy market proposals with what he felt was the clear stance it had taken in its banking inquiry (the proposals of which seek to encourage innovation around open banking) and the EU's *Payment Services Directive 2*, both of which oblige banks to open up their APIs. Failing to think in similar terms for energy represented:

A missed chance because, especially in markets like energy, it makes sense to have the same. It would actually create value not only for businesses like ours, but also for consumers. And at the end of the day they create a more efficient market - [opening up] APIs enables a shift in thinking on how the market works and increasing the technology level in there through the actual outbound as well as inbound APIs enables a better and more secure communication with everyone; and [supports] taking away the hassle from consumers to really be on top of the things that they can't be on top of.

Section 13: a role for government to play?

As highlighted in the key developments document at appendix 2, since the publication of the Consumer Empowerment Strategy in 2011, the UK Government has initiated or supported a number of actions that, either directly or indirectly, stand to support the development of NGIs and create the conditions in which they can succeed. Perhaps most notable amongst these is the Midata initiative, which was heralded in the 2011 Strategy.

We asked interviewees for their take on the role that government needs to play in relation to NGIs and for their perspectives on the steps that government has so far taken, including on Midata.

Midata

Consumers using larger suppliers in the banking (current account) and energy markets are now able to download Midata files. If a third-party intermediary offers a service that can utilise these files to assist the consumer in identifying a better deal, the consumer can forward their Midata file to that intermediary, should they so wish. As highlighted at appendix 2, for energy at least, government is now moving to enable consumers' chosen intermediary services to obtain Midata files direct from energy suppliers via API systems. This step will serve to make exploiting Midata a much more frictionless process for consumers and intermediaries alike. It will mirror what Payment Services Directive 2 is enabling in relation to the banking market.

As the comments from Billmonitor's Stelios Koundouros show, the data portability aspect of Midata is, or at least should have been, a vital piece of infrastructure in NGIs meeting their full potential. It is notable that the embrace of Midata is catalysing the move of some orthodox price comparison sites into NGI territory. For example, Gocompare.com introduced Midata-powered current account switching in 2015.³² As the following highlights, our interviews found varying attitudes towards Midata from NGI practitioners.

While iChoosr's George Frost recognised the potential utility to NGIs of Midata, he struck a note of caution on the possible consequences, if Midata were to enable fully delegated NGI services, where auto-switching happens without any input or decision from the consumer: *The very core of what iChoosr does is it encourages and helps people to make an informed decision where perhaps they wouldn't otherwise do so. We are interested to see how consumers respond to [Midata], but I think without careful monitoring we need to make sure we're not out of the frying pan and into the fire - in that we're ending up with customers moving from being disengaged with their supplier, to being disengaged with their intermediary, who meanwhile is flipping them from supplier to supplier. At what stage will the tolerance expire on that; and to what extent will the market be able to cope with it?*

Billmonitor's Stelios Koundouros had been actively engaged with the government on Midata during the initiative's early days. He was much more positive about its potential, seeing it as offering a means for bypassing the complexities around usernames and passwords, in ways that would be helpful and beneficial for consumers. Impatient at the lack of Midata progress in the mobile phone sector, Koundouros told us that:

Quite simply, I think Midata is a very good initiative and I think it would be very helpful to NGIs broadly. I would say that before we even think about what else government could or should be doing, I would love to see it implement Midata properly across the board as the vision once was. For all kinds of services and all kinds of sectors, consumers should have access to that data and NGIs should have access to the same data [enabling them to] rather effortlessly give consumers advice..... So, before I could even imagine what else the government could do, I would say please get Midata done first and then we'll think about anything else. It's a good initiative, but it's not moving anywhere close to fast enough.

Frustrated by what he saw as *active resistance from industry to be part of Midata, with all kinds of excuses*, Koundouros also felt that government needed to be *seriously putting pressure - either legislating or putting much more serious pressure on providers*.

³² See: www.gocompare.com/money/midata/#9Zu8vQygzOwwEbcM.99. The [UK Regulators Network report](#) on price comparison sites (2016) reports that: *Go Compare submitted to the CMA's retail banking enquiry that almost a fifth (19%) of current account comparisons carried out through their site are made using customers' Midata files, and that people who use Midata are almost five times as likely to go on to switch as those who use standard 'best buy' tables.*

In addition to views that Midata was not going fast enough, some participants expressed the view it was not going far enough. NGI expert, Iain Henderson was of the view that Midata had been useful in raising the profile of the need for portability of consumer data, but that: *it ended up just being too watered down*. He felt that the EU General Data Protection Regulation offered a better way forward on this front: *because it offers proper data portability and will be a huge driver of change*.

Similarly, Mobillity's Lukas Zörner felt that, while Midata was a move in the right direction and serves the right purpose it was: *falling short quite significantly*. His take on a better approach again emphasised the central role that APIs will need to play:

I think in order to build a proper model which works for more difficult tariffs in the future energy market, we need APIs that can provide that. That would be the ask for the government: to bring more openness to energy, like in the open banking space, as soon as possible, to allow a discussion between energy companies, price comparison websites and NGIs, as we see currently in the financial space.

Zörner also pointed to the key role that GDPR will play in relation to consumer data portability:

The truth is personal data will not go away. There will be more services we're connecting to, such as the Apple watch, and more exchanges of data flowing around. It's not a negative thing per se, because if you have a regulation in place, which enables a regulated flow of this data and enables consumers to take an active choice of what they actually want to happen with the data, then it's a strong benefit. I think GDPR is going in the right direction, because consumers can benefit from parties like ours analysing the data if they consent to it, because there are hidden treasures in there for the consumer, which only smart algorithms can find out. So GDPR will serve as a catalyst for that and not a threat.

Although speaking from a New Zealand viewpoint, Saveawatt's Tim Rudkin made a point that has wider relevance, namely that while giving consumers agency over their data and enabling NGIs to exploit it on their behalf is the way forward, government agencies also have a role to play in ensuring the relevant consumers protections are in place:

The consumer has to be the centre point [for data integration], where the consumer authorises the agent to collect it from the retailer. [There's] a need for the likes of Commerce Commissions to make sure that consumers aren't misled to transfer data across.

Government-led switching campaigns

Perhaps unsurprisingly, a number of energy NGIs wanted government to continue to promote energy switching through public awareness campaigns, feeling that these had successfully increased interest in market engagement in the past.

For example, Cheap Energy Club's Archana Luthra told us that:

When DECC did the big switching campaign that had a massive impact on people actually engaging in the market. We saw a massive spike in people looking at the site and checking to see whether they could get a better deal or not. It was a big campaign, with TV and above the line advertising and that had impact, in terms of getting people to engage.

In a similar vein, iChoosr's George Frost hoped to see: *funding made available for more impactful campaigns run by local authorities.*

Such funding would have some similarities to DECC's Cheaper Energy Together initiative in 2012/13, which saw the Department use funding to pump prime a number of collective switching trials. Although that initiative produced mixed results,³³ Frost stated that, in relation to schemes iChoosr was involved with:

If you look at the people who used their DECC funding wisely, they are in a position where they are able to employ someone full-time, or at least they are funding an employee through their collective schemes, and they are the people who are reaching more of the disengaged - it's a snowball effect.

Section 14: A role for Citizens Advice?

As a well-known institution with a trusted brand, which enjoys significant consumer reach; and that, as an influential advocate on behalf of consumers, has the ears of government and regulators, we asked interviewees whether they felt Citizens Advice had a role to play in relation to NGI services.

The responses we had from interviewees indicate that Citizens Advice is well-placed to play a role on the following three fronts:

1. As a trusted body that can **raise awareness of NGIs** in ways that build consumer trust and confidence in using these types of service; and potentially as the manager of an NGI accreditation programme (or similar).
2. As a **partner** who can connect disengaged and hard to reach and vulnerable consumers to NGI services (i.e. services accredited – the ones that meet certain criteria), with responses including some direct overtures to Citizens Advice in this respect
3. As an **advocate to government and regulators** as appropriate

The following examines each in turn.

Awareness raising and / or accreditation

Carwow's James Hind focused on the role Citizens Advice could play in raising awareness that new, more effective routes to market were becoming available to consumers; and helping give consumers the confidence to use them:

Awareness that there are alternatives to the traditional route and the benefits of them. And again the big thing is the trust behind them - that there are no risks, or downsides, or hidden traps to fall into by using one of these services. Maybe even an audit of what they do, what they offer and how they work internally to build that trust.

Likewise, Mobillity's Lukas Zörner also focused on the potential for awareness raising:

³³ For further detail, see: [Helping Customers Switch: Collective Switching and Beyond](#), DECC, October 2013.

Absolutely, I think it's giving the consumer the awareness - raising the awareness for the consumer - that these services actually exist and could be helpful for this particular reason to protect the vulnerable consumers that are out there.

Billmonitor's Stelios Koundouros took the view that the involvement of Citizens Advice could be *incredibly beneficial* on a number of fronts:

NGIs can use all the help they can get at the moment. Maybe trying from a different angle such as Citizens Advice could prove very fruitful. It certainly has a good brand and could play a valuable role - both in promotion and reaching specific, potentially more vulnerable groups. Some kind of accreditation too, if they could offer it. All of this stuff would be very, very helpful.

Although focused on Saveawatt's native New Zealand, Tim Rudkin's points have read across to Citizens Advice. He viewed consumer advocates as having an important role to play in keeping NGIs honest:

I would like to see [NGI activity] regulated, because I think as technology gets easier and easier for people to implement and NGI services become more prolific, there will be -- we've seen it in insurance and we've seen it in other industries -- the rat bags that come in and give the whole industry a bad name. So, there's definitely a role for consumer advocates to sit there in watchdog mode and say what is actually good and what isn't good.

He viewed *measuring customer satisfaction and the responsiveness of NGIs and their ability to listen to their users and adapt* as a potential part of this role.

Partner

Two practitioners saw clear potential for working with Citizens Advice as a delivery partner, either in testing services and making them work for specific consumer segments, or in the delivery of a fully-fledged switching campaign.

Mobility's Lukas Zörner stated that:

Citizens Advice and parties like ours could actually work together on testing solutions with vulnerable consumers and consumers who are asking for advice, to see how they react to it and build, in an agile way, a solution that helps many people in the shortest amount of time.

George Frost felt that iChoosr should:

Work with Citizens Advice Bureaux. We have got the infrastructure that could allow them to not just advise, but provide Citizens Advice switching schemes to those people who wanted to engage with the market through a collective route [with Citizens Advice acting as a potential community leader].

Cheap Energy Club's Archna Luthra viewed Citizens Advice as definitely having:

A role in terms of linking people who might not have access. The huge advantage of Citizens Advice is the spread it has and the on the ground access it offers people. No one else has that network across the country, so there is a role for them to play in that respect.

Advocate

In terms of helping set the policy agenda, iChoosr's George Frost stated that: *I think they have and continue to contribute in a meaningful way to regulation and how the market is shaped and I would applaud that.*

Conclusions and recommendations

As the preceding sections highlight, in 2017 NGIs are, to varying degrees, realising the potential that was ascribed to them in the 2014 Consumer Futures paper.

‘Do it for me’ is a reality, with consumers now having the option of outsourcing their engagement in energy, some financial services and some telecoms markets. And in operationalising the ‘do it for me’ approach, NGIs are cutting through the complexity that characterises these markets and minimising both search and switching costs for consumers.

NGIs are impartially comparing offers from across their respective markets in line with criteria set by consumers; presenting the options in easily intelligible ways to support straightforward decision making; and then enacting decisions on behalf of the consumer and managing the switch between providers.

The indications are, for the services featured here at least, that NGIs are also proving effective in achieving meaningful savings for consumers - making a reality too of the ‘profitable disengagement’ concept. That several NGIs offer a perpetual service and repeat the process at defined intervals, means profitable disengagement can be sustained, rather than a one-off. None of the NGIs interviewed for this report currently offer automated switching, but if adopted, this feature could further enhance the perpetual nature of NGI services.³⁴

Practitioners’ perspectives also indicate that NGIs have played a role in helping smaller suppliers and challengers gain market share in some markets. Their experiences also suggest that, despite instances of creating barriers and of reluctance, large incumbents are increasingly accepting that NGIs are here to stay and will play a more significant role in their market’s ecosystem.

However, while the findings here show that NGI approaches do work, do deliver better outcomes for consumers for less effort and do help drive competition, they also show that NGIs are not yet working on the scale, or with the breadth - in terms of working for consumers across a number of markets - envisaged.

Successes at scale do now exist – for example, it is likely a sizeable proportion of all energy switches now take place via Cheap Energy Club – but these are exceptions. NGIs for the most part still operate at the peripheries of their markets, and remain little known relative to the major PCWs. Furthermore, few have the resources to hand with which to raise their profile through high visibility marketing.

Unless NGIs can achieve greater breakthrough, they are at risk from a ‘circle of lows’ - where low consumer awareness of NGI brands and benefits equals low trust, resulting in low usage. This circle could compound difficulties around consumer inertia that some practitioners highlighted - where people were unwilling to take the few steps necessary to onboard with an NGI service, even where this offered an immediate saving and an ongoing benefit in return. This is likely to be particularly pronounced in relation to services whose functions depend on the utilisation of personal data.

The Illuminas consumer research for Citizens Advice bears this out, showing that consumers currently find it difficult to distinguish what NGI services offer above and beyond PCW tools, do not recognise NGIs as a distinct category and are concerned about allowing unknown brands to access personal data. Accreditation and formal endorsement may help NGIs meet aspects of this challenge.

³⁴ For example, Flipper - an NGI operating in the GB energy market. Flipper currently offers automated switching. See: [Can smart switching cut your energy bills?](#), BBC News (online), 1st July 2016.

It is notable that Cheap Energy Club's success is almost certainly a reflection of it being part of MSE – a brand that has a large audience and is trusted to work on behalf of the consumer. This serves to demonstrate the strength of the appeal an NGI approach can have if allied to a strong brand.

Carwow and Trussle, while lesser known brands, are experiencing growing demand. This may reflect their operating in markets where consumers must engage to obtain the product. Given search costs and information asymmetries are particularly high in those markets, consumers may be more receptive to using a more convenient, impartial means of getting what they need.

Other than the exceptions, low take-up translates as low-impact in terms of transforming their respective markets for the better. So, while on an operational level the potential is being realised – NGIs are showing 'do it for me' can work and are empowering individual consumers to realise meaningful savings – the competition igniting, positive disruption it was envisaged NGIs could achieve in their markets is yet to fully materialise. That said, most practitioners felt it was inevitable NGI approaches would become the norm; and some were experiencing strong demand from a low-base and attracting investment. After all, imposing simplicity on complex markets and providing consumers with better outcomes for less effort remains a significant unmet need and thus commercial opportunity, especially when millions could stand to benefit.

Beyond the challenges of 'breakthrough' and, therein, achieving consumer trust and take-up, the research has also revealed instances where external dependencies and factors make it difficult for NGIs to optimise their services and meet their full potential.

Key amongst these were the two inter-related challenges of:

(1) Access to data: data is the lifeblood of NGI services and key to offering the functionality and services that set them apart. However, some NGIs are starved of straightforward, reliable access to the data required to deliver their service in an optimal manner. This in part relates to provider data, primarily concerning tariffs; and in part to authorised access to consumer data, primarily concerning consumption and transaction histories (access to which would negate the need for trust-sapping workarounds that some NGIs currently rely on, based on the consumer handing over login credentials).

In relation to provider tariff data, NGIs appear, depending on the market, to currently rely on affiliate marketing companies,³⁵ or services that specialise in collecting, curating and selling on tariff data, or developing direct relationships with providers. In regulated markets, this can represent a barrier to entry for NGIs, particularly where access to that data incurs an ongoing cost; or where providers are able to restrict access to tariff data to try and undermine NGI activities. Access to provider data is therefore a key area for action.

While Midata should have provided the way forward in relation to consumer data, its implementation varies by sector and has made stuttering progress, much to the frustration of some NGI practitioners. That said, some expressed grounds for future optimism, given that EUGDPR would better realise the data portability goals of Midata. Government will now need to consider how best to proceed with Midata in light of EUGDPR.

(2) The technical 'plumbing': related to access to data is the extent to which providers have in place, and/or are willing to utilise, the systems architecture necessary to support the efficient flow of tariff and consumer data between themselves and NGIs.

Some practitioners made a strong case for an API-based approach being the best way of providing this plumbing, not least as this could provide NGIs with live, efficient access to the required data.

³⁵ An example of which is [Tradedoubler](#).

Steps being taken by the CMA and Government to utilise APIs to bring about 'open banking' in the retail banking sector should offer a blueprint that could then be applied to other sectors.

A clear message from the research findings is that the CMA (and the underpinning EUPSD2 – see appendix 2) has set the bar in terms of creating favourable conditions in which dynamic new intermediary services can thrive. Some practitioners now hope to see the same logic applied to the sectors in which they operate.

Finally, despite the inherent potential for NGIs to deliver consumer benefits, there is also the clear potential for consumer detriment to arise from any rogue actor that adopts NGI characteristics, but deviates from pro-consumer qualities (impartiality, respectful use of data etc.). As the above highlights, free to use models carry the risk of the intermediary gaming the offers presented to consumers in self-interested ways, and of supplier capture. And even in the pay to use model, there is the risk that an unchecked NGI presents this as a guarantee of impartiality, while at the same time taking commission payments from some suppliers. The data rich nature of NGI services opens up another area where unscrupulous actors could cause significant consumer detriment.

In a fragile trust environment, actions by one rogue actor that undermine impartiality, or abuse consumer data, risk tainting all NGIs. Guarding against this possibility poses a challenge for agencies working in the consumer interest and reinforces the need for a system that can 'whitelist' reputable NGIs, either through accreditation, or other means.

Recommendations

With the above in mind, recommendations are proposed across the following 3 themes:

(1) Raising awareness

The profile of NGIs should ultimately reflect their success, as determined by the effectiveness and appeal of the service they offer. Also, the picking of winners is best left to consumers in the marketplace. However, it is legitimate for government, regulators and consumer advocates (assuming no conflict of interest exists) to support innovation in engagement and to do so in ways that increase public awareness of new approaches and of field-leading innovators. Indeed, in relation to competition policy objectives in regulated markets where conventional approaches are falling short, government and regulators have a strategic imperative in this respect. Such awareness raising could take a number of forms, including:

- Government and/or sector regulators running challenge programmes and competitions that are focused on innovation in market engagement (potentially coordinated across regulators' innovation hubs).
- Learning from what has worked in terms of government-sponsored initiatives to catalyse and support the growth of FinTech and collaborative economy enterprises; and applying these lessons in an initiative to incubate and support companies that can transform consumer engagement and support competition objectives.
- A rolling programme of consumer trials, whereby a representative sample of ordinarily disengaged consumers are provided with a safe 'sandbox' environment (i.e. switching decisions can be easily rolled back) in which they can experiment with a range of intermediary services, including NGIs. The results, in terms of savings achieved, customer satisfaction and experience ratings can be captured and combined with wider variables

(whether the intermediary belongs to an accreditation scheme, rating of data practices etc.) to create performance league tables. These could then be publicised and form part of consumer education initiatives and switching campaigns. The extent to which a trial of this nature could be run remotely, potentially through partnerships with market research agencies that maintain online panels should be further investigated.

- Accreditation (see below).

(2) Building trust

Trust will in part grow from awareness (better known brands tend to be the more trusted brands, regardless of inherent trustworthiness). However, until such time that nascent NGIs achieve breakthrough, a mechanism by which they can demonstrate their trustworthiness and the qualities and characteristics they evince in this respect could prove invaluable. Accreditation is the most obvious mechanism and one that can be leveraged to support awareness raising. It was also a popular option with NGI practitioners, being volunteered as a suggestion by some - who viewed it as a way of (i) demonstrating their trustworthiness to consumers, particularly in relation to their use of consumer data; and (ii) of differentiating themselves from pseudo-NGIs.

However, for energy practitioners at least, there was frustration that the current Confidence Code was designed in and for the era of price comparison and doesn't readily cater for NGI-type services. And herein lies a significant challenge: (i) should regulators and other accreditation scheme managers seek to contort existing schemes to make them more accommodating of NGI services? Or (ii) should NGIs seek to contort themselves to pre-existing accreditation schemes? Or (iii) should there be a separate scheme for NGI-type services? None of these seem optimal and (iii) risks the number of accreditation schemes being higher than the percentage figure for consumer awareness of such schemes.

The recommendation therefore is for scheme managers across the regulated sectors to collaborate on a 'back to the drawing board' exercise. This should be guided by the following objectives:

- a) Determine whether a common set of principles (impartiality in the offer, transparency on the business model and on the extent of market coverage, data used only in line with permissions granted by consumers etc.) can be established that would form the bedrock of accreditation schemes across regulated sectors (and potentially beyond). This could then be (a) tailored to sector specific circumstances; and (b) open to all third-party intermediaries to seek membership of, regardless of whether they are orthodox or next generation.

As noted above, accreditation of data practices, could be required by and adhered to as part of an NGI accreditation scheme. Endorsement in this respect could take the form of a data trust-mark conferred by, say, the ICO, government or a consumer body; or be a BSI or ISO standard.

- b) With a view to enabling more effective promotion: establish whether any convincing reason exists to not give any new approach established by (a) uniform headline branding, below which sub-branding can highlight the sector(s) the accredited entity has achieved accreditation in.

(3) Addressing the data challenges

Re: provider data: Given that information is the lifeblood of vibrant markets, access to live tariff/rate information for approved (see below) intermediaries is vital to lowering barriers to entry

and fostering innovation that can help drive competition and benefit consumers.³⁶ A number of practitioners expressed support for tariff/rate data being openly available. There appear to be two clear ways of achieving this: either (1) all regulated providers beam this information to the regulator (or a body working on its behalf), who collates this as a centralised database that approved intermediaries can then take an API feed from; or (2) providers are obliged to provide a direct feed to approved intermediaries when requested to do so.

It is recommended that sector regulators should review and establish the best means for ensuring approved intermediaries have access to tariff/rate data, potentially collaborating on a way forward under the auspices of the UKRN. They should also establish target dates for when such an arrangement will go live across each of the markets.³⁷ With regards to which intermediaries can access this data, there is a case for creating a 'whitelist' where access is contingent on certain criteria being met, or linking to accreditation. Regulators should examine the merits of such an approach and determine the optimal access criteria.

Re: consumer data: Government should now reboot Midata and shift its focus towards creating the frameworks within which consumers can safely authorise intermediaries to access contract, consumption and transaction data on their behalf (in line with the provisions of the *2013 Enterprise and Regulatory Reform Act*, as is currently happening in energy – see appendix 2). That shift in focus is recommended on the basis that GDPR is set to supplant the data portability dimension of Midata; and the CMA's 'open banking' remedies, along with PSD2, look set make data portability a reality in retail banking. As with tariff data, government and regulators - with appropriate input from the ICO - should take the steps necessary to ensure authorised access to provider-held consumer data is achieved via secure API infrastructure.

In developing frameworks for intermediary access to data, government should also consider what steps are required to build consumer trust in relation to using and authorising third party intermediaries, such as NGIs, to utilise this data on their behalf - including how best to give consumers the means to revoke permissions. In so doing, government should seek to ensure coherence between any trust building dimensions introduced in relation to Midata and principles around the use of consumer data that form part of any 'fresh start' approach to accreditation (along the lines recommended above).

With regards to ensuring progress with a rebooted Midata, government should also have a clear strategy that publicly sets out what it seeks to achieve, within what timelines and by what means, along with a formal commitment to delivery from the relevant departments.

API infrastructure: The findings concerning data in this report highlight the need for API-based infrastructure to support efficient data flows between NGIs and providers. On both fronts – provider data and consumer data - government, regulators and all relevant parties should be working to respond to this need, ensuring that the steps taken in relation to open banking are replicated elsewhere. Access to API feeds, at least for personal data, could be tied to accreditation (see above).

³⁶ Arguably, an instructive parallel here is transport data where, once Transport for London and Network Rail opened up feeds to their data, a range of start-ups emerged, competing against each other to harness these data in apps and services that serve the users of these transport services (alerting them to delays, when the next bus will arrive etc.).

³⁷ Services that currently derive revenues from the collection, curation and sale of tariff data to PCWs and intermediary services may be left with stranded assets following such a move. Deliberations should consider whether this might give rise to unforeseen consequences.

Appendices

- (1) Profiles of NGI services that participated in the interviews
- (2) Relevant developments since 2014

Appendix 1: Profiles of NGI services that participated in the interviews

Billmonitor



invented by mathematicians in Oxford approved by Ofcom

www.billmonitor.com

Markets served: mobile phone contracts

In its own words: *Let billmonitor match you to exactly the right mobile contract. And if you're in the middle of your contract, let billmonitor help you make the most of it.*

How it works:



Carwow



www.carwow.co.uk

Markets served: new cars

In its own words: *Car buying with you in the driving seat. carwow brings you the best prices from top UK dealers. You just choose which one to buy from.*

How it works:

Find and buy your new car in just a few clicks



1. CHOOSE THE CAR

Use our [reviews](#) and [car chooser](#) to pick the perfect car for you.



2. GET OFFERS

We'll find you the best offers from local & national dealers within 24 hours.



3. BUY YOUR CAR

Buy direct from the dealer at the quoted price. We don't charge you a penny!

Cheap Energy Club



www.moneysavingexpert.com/cheapenergyclub

Markets served: gas and electricity

In its own words: *We take the hard work out of switching energy. Just sign up, tell us what your current energy tariff is and we'll tell you if you're overpaying. Then, as many tariffs are only cheap in the short-term, we'll monitor the market and email you if you can save.*

Can't be bothered to switch for a £20 saving? Tell us what you will switch for and we'll only email when you can save that amount. Bingo! It'll all be filled in for you - just click the button.

How it works:



In addition to the individual service offered by Cheap Energy Club, its parent, Monseysavingexpert.com, runs occasional collective switch initiatives that leverage the Club's 2.7m members and MSE's wider email distribution list of over 11m subscribers to win special tariffs from energy suppliers. These are then made available to Club members and subscribers.



www.ichoosr.co.uk

Markets served: group switching for gas, electricity and broadband (piloting), group buying for solar panels.

In its own words: *iChoosr likes to make it easy for consumers. We want to assure participants they will receive a good offer at a competitive price. iChoosr takes the time-consuming administrative hassle out of your hands. We provide all the necessary information to help you make an informed decision.*

How it works:

How do our group buying schemes work?



Mobility



www.mobillity.co

Markets served: gas and electricity markets (initially).

In its own words: *We set out to build an impartial financial service, that harnesses the power of technology for good. If banks can benefit from intelligent money management, then why not everyone else?*

That's why we set out to create the world's most trusted financial platform.

We're proud to be impartial, giving you valuable, on-going insights which we then action on your behalf – in today's fast-paced world, time is as precious as money, so we save you both.

How it works: Mobillity sees its users' current account data on a read only basis and analyses their transaction history to find out where things in their financial life can be improved. Instead of just providing users with insights, Mobillity takes actions on their behalf to improve their financial situation. This includes finding out if users are overspending on their energy bills and then helping them find and switch to a better deal through its chat-based solution.

The consumers interface operates primarily through smartphone messaging dialogues.

Saveawatt



www.saveawatt.co.nz

Markets served: electricity (New Zealand)

In its own words: *We take the hassle out of finding and switching you to a better power plan. After answering a few simple questions Frank, your personal power assistant, will search for a better power plan and once you see the details, seamlessly switch you to it. Every 6 months, or at the end of your contract, he'll search and switch you again.*

How it works:

Here's how Frank  helps you save money on your power



A Few Quick Questions

Frank asks you a few simple questions about your power usage — and he will only do this once.



Some Clever Calculations

Frank looks at your power usage and finds you a better power deal that suits your needs. If it's with a different power company to the one you're already with, he then takes care of the whole switch process for you!



Continuous Savings

Frank will continue to work for you. Every 6 months, or at the end of your contract, he'll look again for a better deal and will seamlessly switch you to it.

Watt do you say? Let's get started!



www.trussle.com

Markets served: mortgages

In its own words: *Trussle is the new hassle-free way to get a mortgage. We help first-time buyers and existing homeowners save time and money securing a great-value mortgage online. We then continue to monitor your mortgage and help you switch to a better deal later on, so you're never paying more than you should.*

How it works:

The hassle-free way to get a mortgage online

We search more than 11,000 deals from 90 lenders to find the perfect mortgage for you.



1. We search through thousands of mortgage deals to recommend the right one for you.



2. Relax while we secure your new mortgage with the lender, keeping you informed every step of the way.



3. We'll continue to monitor the market, so you never miss out on switching to a more suitable deal later on.

Appendix 2: Key developments and research relevant to NGIs since 2014

Government & legislative developments

Midata

Since the publication of the then Coalition Government's Consumer Empowerment Strategy³⁸ in 2011, the UK Government has supported a number of initiatives that are conducive to the development and success of NGIs. Most notable amongst these is the Midata initiative, which was heralded in the 2011 Strategy and has been in development thereafter.

Midata's objective has been to grant consumers an entitlement to access, control and utilise the core contract, transaction and consumption history data that a service provider collects and holds about them. In other words, the information required to make an accurate market comparison and to enact an effective switch. Crucially, the intention is for these data to be made available in a machine-readable format, thus making it possible for any third party nominated by the consumer, such as an NGI, to exploit it on their behalf. Starting out life as a voluntary initiative, Midata initially focused on the energy, current account, credit card and mobile 'phone markets.

Enabling consumers to access, share and grant access to data in this way can (and should) play a key role in accelerating the development of NGI services, particularly in relation to 'do it for me' functionality. If combined with mechanisms (see below) that enable consumers to direct that their supplier provides this data direct to their nominated NGI service, on an automated basis via APIs, that would reduce the friction of data input required by the consumer when signing up for an NGI service. Over time, data received in this way would also enable the NGI to build a richer, more accurate picture of the consumer and ensure it is meeting their needs more effectively.

In the intervening period Government has taken the following steps to try and drive progress on Midata:

2013: *Enterprise and Regulatory Reform Act*³⁹, whereby Government took new powers that would enable it to later introduce regulations compelling the electronic release of data should voluntary progress on Midata's objectives fell short. That would include releasing data to an intermediary: *"who is authorised by a customer to receive the data, at the customer's request or, if the regulations so provide, at the authorised person's request"* (e.g. an NGI).⁴⁰

³⁸ See: [Better Choices: Better Deals – Consumers Empowering Growth](#), HMG, April 2011.

³⁹ See: [Enterprise & Regulatory Reform Act 2013](#), part 6, section 89 – supply of customer data.

⁴⁰ Ibid.

It was intended that the powers granted by the Act would be used if, following a review, Government considered: *“insufficient progress has been made under the voluntary approach to support the aims of enhancing empowerment, innovation and competitive markets.”*⁴¹

2014: The first such **review of voluntary progress** followed in July 2014. Its verdict was that: *“encouraging progress has been made. A commitment from the big banks about Midata should ease switching in the personal current accounts market. In the energy sector all of the large energy companies now provide access to a data file in a consistent format to their customers....Given this progress we do not think that there is a strong objective case at this time for using our powers.”*⁴²

2016: In December of 2016, the Department for Business, Energy & Industrial Strategy issued a **call for evidence on implementing Midata in the energy sector**.⁴³ This sought views on how best to implement Midata on a mandatory basis, using the powers granted to Government in the 2013 Act. With seven of the largest energy suppliers already allowing consumers to download a Midata file via their online account, the Call for Evidence focuses on creating the conditions within which energy suppliers will be required to enable third parties, such as NGIs, to electronically access consumers' data (with consumer consent).

If, following this consultation, Government decides to move ahead on this basis it will represent a full implementation of the Midata vision for energy and has the potential to spur further innovation in a sector where a number of NGI-type services are already active. Not least in them being able to offer a frictionless sign-up process to their users. It also pushes energy way ahead of the other regulated sectors that the government had hoped to see make progress on Midata.

With regards to financial services, while banks (mainly larger ones) have made Midata files available to their current account holders, the sensitivity of this data attracts additional safeguards that can serve to limit its utility as key NGI ingredient.⁴⁴ That has led some fintech intermediaries - such as account aggregation and personal finance manager apps that provide the consumer with a consolidated dashboard account information from different institutions - to rely on using the consumer's login credentials to access and 'scrape' that data.

The lack of Midata progress in the mobile phones market was highlighted as a particular frustration in the associated NGI research, where it was felt Midata could provide a key enhancement to how

⁴¹ See: [Enterprise & Regulatory Reform Act 2013: A Guide](#), Department for Business Innovation & Skills, June 2013.

⁴² See: [Review of the midata voluntary programme](#), HMG, July 2014

⁴³ See: [Call for evidence: implementing midata in the energy sector](#), DBEIS, December 2016

⁴⁴ See: [Is your bank giving you the best deal? Find out using new online comparison tool](#), HMT, March 2015.

However, given the sensitivities around banking data, the Midata file that consumers can access excludes not only account details, but also redacts information relating to certain transactions. This has led Fintech companies and the [CMA in the Final Report of its Retail Banking Investigation](#), to discount Midata in its current guise and look instead at 'open banking' whereby a consumer's account information can be shared securely between banks and 'whitelisted' intermediary services via application programming interfaces (APIs). The CMA states that: *APIs will allow publicly available data and customers' own data to be shared with trusted third parties, and 'open standard' APIs can be particularly powerful (with necessary safeguards for security and privacy) in opening up new customer information and advice services.*

consumers interact with certain NGI services. Similarly, Midata also appears to have stalled in relation to credit cards.

Some interviewees took the view that the data portability aspects of the European General Data Protection Regulation (see below) would, once implemented, actually supplant Midata as the means by which they can move further and faster forward on this front.

Wider Government initiatives

In November 2015 HMT published *A better deal: boosting competition to bring down bills for families and firms*⁴⁵. Heralded as a: “blueprint for ambitious action to increase competition in our economy – bringing down bills for families”, this policy document outlined actions the Government was taking to ensure consumers would get a better deal. Steps relevant to NGIs included:

- Steps to engage consumers in banking, to boost demand and competition, including a commitment to delivering an open Application Programming Interface (API) standard in UK banking to help Financial Technology (FinTech) companies make use of bank data on behalf of customers, to provide a range of value-added services.⁴⁶
- Legislating for easier and quicker switching in communications markets, and working with Ofcom to ensure that customers can switch services and bundles of services with the minimum of hassle. This objective forms part of the *Digital Economy Bill*⁴⁷ that is currently on its passage through Parliament (also see section on telecoms below).
- Facilitating the launch of a switching guarantee for energy (since introduced).
- Ensuring that: *by 2017 consumers across the regulated sectors have easy access to the data they need to find the best deals for them, and can authorise third party intermediaries such as price comparison websites to access this data on their behalf using secure APIs. As part of this, the government will work with regulators to promote the public profile and understanding of the opportunities better data availability provides. Tariff data should be made similarly available in a machine-readable form.*⁴⁸

Forthcoming Consumer & Markets Green Paper

In delivering his Spring Budget 2017 statement⁴⁹ on March 8th, the Chancellor confirmed that the Government would shortly bring forward a green paper to examine markets that are not working efficiently or fairly. The Budget also set out the initial steps that Government would take, including:

- Preventing consumers being charged unexpectedly when a subscription is renewed or a free trial ends

⁴⁵ See: [A better deal: boosting competition to bring down bills for families and firms](#), HMT, November 2015.

⁴⁶ Cf. previous footnote on CMA proposals in relation to open banking.

⁴⁷ See: [Digital Economy Bill](#)

⁴⁸ [A better deal: boosting competition to bring down bills for families and firms](#), HMT, November 2015.

⁴⁹ [Spring Budget 2017 – Philip Hammond’s Speech](#), HMT, March 2017.

- Making terms & conditions simpler and clearer including in digital contracts
- Fining companies that mislead or mistreat consumers

Developments in Europe

EU General Data Protection Regulation (GDPR)

The new General Data Protection Regulation came into force on 24 May 2016 and will apply in member states from 25 May 2018.⁵⁰ There are two aspects of GDPR that are of particular relevance to NGIs (and to digital comparison tools more widely), namely:

Data portability, which as stated above is similar in scope to Midata initiative, but is likely to mean the end goals are achieved much faster, across more sectors and all with a legislative underpinning. With the regards to portability:

*The new Regulation will also guarantee free and easy access to your personal data, making it easier for you to see what personal information is held about you by companies and public authorities, and make it easier for you to transfer your personal data between service providers – the so called principle of ‘data portability’.*⁵¹

In addition, data controllers – i.e. services that collect and utilise consumer data - will be required to do so within a framework of enhanced data protection. This should serve to boost consumer confidence when using data intensive services such as NGIs. GDPR will deliver:

*Increased responsibility and accountability for those processing personal data– through data protection risk assessments, data protection officers, and the principles of ‘data protection by design’ and ‘data protection by default’.*⁵²

EU Payment Services Directive 2 (PSD2)

The EU adopted a new directive on payment services (PSD 2) in 2015 and it will become applicable in 2018. The Directive seeks to improve existing rules and take new digital services into account. Of particular relevance to the NGIs operating, or seeking to operate in banking markets are the two provisions to:

⁵⁰ [Ministerial commitments](#) indicate that that Brexit will not hinder the implementation of nor lead to the repeal of GDPR.

⁵¹ [How does the data protection reform strengthen citizens’ rights?](#), EU Commission factsheet, January 2016.

⁵² Ibid.

1. Promote innovative mobile and internet payment services through increased accessibility to consumer data by third party services that have been authorised by the consumer and the growth of new products and services that this accessibility will catalyse.
2. Strengthen consumer rights and protections against fraud, abuse, and payment problems, achieving this primarily through “enhanced security requirements, including the use of strong customer authentication for electronic payments.”

Analysis by Payments UK has stated that:

*PSD2 is expected to lead to a major change in terms of the accessibility of customer data to authorised third parties when the customer has given their explicit consent. Customers will be able to use payment initiation services and account information services..... helping customers to manage their accounts and make better comparisons of deals.....these changes will result in the development of products and services that allow customers to optimise the use of their account and transaction data.*⁵³

Key sectoral developments

Energy

Following Ofgem’s referral in 2014, the CMA’s Energy Market Investigation represents the landmark event in the GB energy market in recent years. Key findings from the CMA’s final report (2016) included:

- A lack of engagement in the markets on the part of many customers, which suppliers are able to exploit by charging high prices. CMA research found that 34% had never considered switching; and 56% had never switched, did not know if it was possible or did not know if they had done so.⁵⁴
- 70% of domestic customers of the ‘big six’ remain on expensive ‘default’ standard variable tariffs (SVTs). These consumers could have achieved average annual savings of around £330 if they had switched supplier in 2015.⁵⁵
- Aspects of the ‘simpler choices’ component of Ofgem’s Retail Market Review (RMR) rules had, had an adverse effect on competition by reducing suppliers’ ability to compete and innovate around tariff structures and by softening competition between PCWs.⁵⁶

The remedies relevant to this study proposed by the CMA were:

⁵³ See: [The Second Payment Services Directive \(PSD2\) - A briefing from Payments UK](#), Payments UK, July 2016.

⁵⁴ See: [Modernising the Energy Market – a short overview](#), CMA, June 2016 .

⁵⁵ Ibid.

⁵⁶ Ibid.

- Ofgem establishes an ongoing programme to test and implement information measures to help improve customer engagement.
- Suppliers will be ordered to give Ofgem details of all customers who have been on their default tariff for more than 3 years, which will be put on a secure database to allow rival suppliers to contact customers by letter and offer cheaper deals. Ofgem will control access to the database and carry out testing on the frequency and form of communications, to ensure it is effective in helping customers move on to better deals.
- Removing regulatory burdens that inhibit the potential for Third Party Intermediaries (TPIs) to promote competition to the benefit of customers
- Granting TPIs access on reasonable terms to gas and electricity meter databases to strengthen their role in facilitating switching
- Changes to the Midata programme that (subject to customer consent) give TPIs increased access to more customer data and, in so doing, enable them to monitor the market on behalf of their customers and advise them of savings.⁵⁷

The CMA's findings provided ample evidence of the kind of demand side conditions (i.e. widespread inertia) that NGIs are well-placed to address. Its remedies included a number of steps that will undoubtedly support the enhancement of NGI services. However, despite reference to TPIs in broad terms (and acknowledging this category goes wider than conventional price comparison websites), despite it being clear that technological innovation is opening up new, dynamic approaches to consumer engagement that are better suited to actual consumer behaviour, and despite energy already being a relative hotbed of NGI-type activity, the CMA's remedies overlooked the ways in which NGIs could help it meet its consumer engagement objectives for the sector.

Furthermore, on one hand the CMA's remedies seek to force the pace on Midata and, in so doing, appear to recognise that granting consumers agency over this data and directing approved intermediary services to exploit it on their behalf can be a significant step forward in driving greater engagement (or the 'profitable disengagement' described above). And yet on the other hand, it simultaneously proposes a remedy built around uninvited direct marketing to consumers on an opt out basis. Arguably, this feels like an archaic approach and backwards step in an industry that has suffered notoriety for mis-selling. It also stands in contrast to the much more enlightened, technology focused remedies proposed by the CMA retail banking market investigation (see below; and, admittedly, the EU PSD2 will have been a key driver in this respect).

Telecoms

In February 2016 Ofcom published the initial conclusions from its once in a decade Strategic Review of Digital Communications. One of its five areas of focus was: *"consumer empowerment so that*

⁵⁷ For additional detail on these remedies see: [Energy market investigation - summary of final report](#), CMA, June 2016.

people can understand the array of choices available to them and are able to switch to the best value deal easily.”⁵⁸ The review recognised that a trend towards packaging together telecoms products in triple-play (i.e. broadband, TV and landline) and, increasingly, quad-play (adding mobile to the package) bundles meant the market that was growing in its diversity and complexity. Against this backdrop, Ofcom recognised that consumers “need clear and accurate information to compare what is available and to make the best choices.”⁵⁹ Its proposals to ensure that would be the case included:

- Publishing more detailed information, including on: service quality and customer response; fixed and mobile service availability; and broadband speeds;
- Introducing a standard cost comparison measure, such as the average monthly cost of the core elements of a service over the contract period, so consumers can more easily compare different products;
- Work with third parties such as price-comparison websites to improve the information that consumers have to hand before they buy.

In addition, in relation to the mobile ‘phone market specifically, Ofcom has during the last year consulted on two options to simplify and accelerate mobile switching, and support competition in that market⁶⁰. Ofcom's preferred option is a 'gaining provider-led' process for switching (which is both consistent with the Government’s cross-sector high level switching principles and already the case for most of the broadband market⁶¹). Although a decision was due in autumn 2016 it is still awaited. As highlighted at sections 4 & 12, a move to gaining supplier-led switching would benefit one of the NGIs interviewed as part of this research.

Financial Services

As with energy, retail banking has also been subject to a CMA market investigation concluding in 2016. The reforms proposed by the CMA are designed to “shake up retail banking”⁶² by breaking down, through increased innovation and competition, barriers that: “have made it too easy for established banks to hold on to their customers”⁶³. Its central reform is the: “Open Banking programme to harness the technological changes which we have seen transform other markets. We want customers to be able to access new and innovative apps which will tailor services, information and advice to their individual needs.”⁶⁴

More specifically, Open Banking will enable: “personal customers and small businesses to share their data securely with other banks and with third parties, enabling them to manage their accounts with multiple providers through a single digital app, to take more control of their funds and to compare

⁵⁸ See: [Strategic Review of Digital Communications – initial conclusions](#), Ofcom, 2016.

⁵⁹ Ibid.

⁶⁰ See: [Ofcom](#)

⁶¹ See: [Switching principles – Government response and action plan](#), DBIS, May 2016.

⁶² [CMA paves the way for Open Banking revolution, CMA press release](#), August 2016.

⁶³ Ibid.

⁶⁴ Ibid.

products on the basis of their own requirements.”⁶⁵ Banks will need to have implemented these steps by early 2018.

That these reforms will be conducive to the development and operation of banking focused NGIs is readily apparent.

CMA Digital Comparison Tool (DCT) market study

In September 2016, the CMA launched its market study into what it has termed Digital Comparison Tools. The study is examining “*whether the sector is working well for consumers*” and will “*determine how to maximise the benefits DCTs offer*”.⁶⁶ The study’s sector coverage includes energy, personal current accounts and credit cards, as well as broadband in the telecoms sector, but not mobile ‘phones. That said, the CMA expects to “*draw important conclusions that will apply across multiple sectors*.”⁶⁷

The CMA’s statement of scope gives only limited consideration to how these services might transform in coming years and makes only passing reference to NGI type services:

*“We are aware of some alternative types of DCT emerging.....However, there are also newer services which offer to undertake switches on a consumer’s behalf on a delegated basis....and services using different business models such as subscription charges to consumers.”*⁶⁸

That said, its final thematic question did ask: “*what likely developments over the next three years should we take into account and why?*”⁶⁹

There were also specific themes and questions that are of particular interest in relation to NGI-type services, namely:

- Theme 3 on Competition between DCTs, with a question seeking views on factors that influence how effectively DCTs can compete – for example, whether they can secure the necessary consumer data, supplier information or other data?
- Theme 4: The regulatory environment, with a question seeking views on: whether there are any areas of regulation or self-regulation applying to DCTs that lack clarity, certainty, consistency, or enforcement? And whether aspects of regulatory approaches to DCTs need to change and, if so, why?

New Consumer insight

⁶⁵ [Market Study of Digital Comparison Tools – statement of scope](#), CMA, September 2016.

⁶⁶ [CMA Digital comparison tools market study](#) case page

⁶⁷ [Market Study of Digital Comparison Tools – statement of scope](#), CMA, September 2016.

⁶⁸ Ibid.

⁶⁹ Ibid.

The 2014 NGI work outlined how four interacting factors can conspire to limit consumer engagement in the energy, financial services and telecoms markets, namely:

- Information and choice abounds in the twenty first century, yet people's time is a scarce resource and so the abundance remains underexploited.
- People dedicate only a small fraction of the time they do have available to consumer tasks. Priorities for the use of that time relate to urgent purchases, meeting recurring needs and gratification (e.g. leisure goods and services)
- Search and switching costs are unduly high in these archetypal 'confusopoly' markets. Providers manufacture complexity out of what are, essentially, homogenous services, leaving consumers confused, averse to market engagement and – as a result – right where they are.
- The above trigger/reinforce behavioural biases and 'predictable irrationalities', such as choice overload and loss aversion - when a fear that departing from the default could leave us worse off. This feeds the status quo bias and inertia remains the norm.

It was argued that NGIs could address these factors by going with the grain of consumer behaviour, making sense of information so that the consumer doesn't have to and making the decision process a straightforward one by (i) giving the consumer confidence that the recommended option is actually the best option for them; and (ii) enacting the decision for the consumer (potentially automating the entire sequence and repeating at relevant intervals, should the consumer so desire).

In the intervening period, a body of work has emerged that strengthens this case. A short overview of key pieces is provided below.

In 2015 Citizens Advice published research undertaken by GfK on **Consumers' Hierarchies of Priorities**⁷⁰. This sought to establish whether consumers have a hierarchy of priorities that determines how much time they allocate to shopping around in markets; and if so, where regulated markets fit into the hierarchy. Key findings included that:

- While regulated markets were typically high on the list of priorities reported by consumers, observations of actual behaviour identified a quite different set of priorities, with regulated markets not being of such high priority.
- Some evidence that more leisure related, apparently enjoyable shopping activities tend to take priority. Consumers spend more time, for example, looking at hotels for short breaks or holidays' than they spend shopping for mains gas or home insurance.
- A hierarchy is also found when looking at actual behaviour from the GfK consumer panel, the data shows that the actual time spent on regulated markets is very low in comparison to other markets.

⁷⁰ [Consumers' Hierarchies of Priorities](#), GfK for Citizens Advice, published July 2015.

Citizens Advice explored related themes in its research report *Against the clock: why more time isn't the answer for consumers*⁷¹ in 2016. This research looked to establish what 'good' consumer engagement would look like, how much time it would take compared to decision-making that comes more naturally, and what impact it would have on consumers. The research found that:

- Following a 'good' decision-making process takes longer than following a natural process. The difference is particularly stark in regulated markets
- Following a 'good' decision-making process leaves consumers feeling less satisfied with their decision than when they decide naturally. Again, this is worse in regulated markets
- In regulated markets, consumers are even less satisfied when they take the time to read terms and conditions, than if they don't bother to do so.

The potential for remedies informed by the insights of behavioural economics to drive better consumer outcomes in regulated markets has continued to gain traction. A 2016 report for Citizens Advice by the Behavioural Insights Team (BIT)⁷² sets out a vision for a new approach to regulation that seeks to *"deliver good outcomes by being designed in line with human behaviour."* The vision focuses on four areas:

1. Setting the criteria for what a well-functioning market looks like from the consumer perspective
2. Collecting and publishing data to see whether the market is performing on a 'well-functioning' scale, and identify behavioural market failures
3. Design remedies to overcome identified behavioural market failures
4. Testing if the remedies are actually leading to better outcomes for consumers and iterate⁷³

Most notably in relation to NGIs, the BIT proposed that point (3) should include regulators supporting and enabling the work of choice engines and designing and promoting simple heuristics, setting smart defaults, creating timely and smart disclosures.⁷⁴ As is highlighted in the findings of the research with NGI practitioners, NGI services can bring together simple heuristics, smart defaults and timely and smart disclosures 'under one roof' for consumers and to varying degrees are already doing so.⁷⁵

⁷¹ [Against the clock: why more time isn't the answer for consumers](#), Citizens Advice, November 2016.

⁷² [Applying behavioural insights to regulated markets](#), BIT for Citizens Advice, May 2016.

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ It is also worthwhile noting that an optimally performing NGI would score well against the BIT's E.A.S.T framework for applying behavioural insights in policy interventions. Within the mnemonic E is for making it easy – e.g. harnessing defaults, reducing hassle and simple messaging. A is for making it attractive, including through financial incentives (savings in this case). S is for making it social – including using the power of networks (framing the NGI as a 'club', for example). T is for making it timely, by providing prompts when people are most likely to be receptive (when a contract is about to end, for example). See: [EAST: Four Simple Ways to Apply Behavioural Insights](#), BIT, April 2014.

Finally, research by Citizens Advice on making consumer data work for everyone⁷⁶, explored what key principles such as trust, control and value mean to consumers when thinking about the collection and use of their information online, and asked how these principles might be put into practice. The findings offer valuable and timely insights that - given the centrality of consumer data to the successful functioning of NGIs – need heeding if consumers are to have the confidence to utilise these services. The research found “*a general suspicion of what goes on behind the scenes of many online services*”,⁷⁷ meaning that NGIs will need to be aware of why this is and what’s required to build trust and increase uptake. It also found consumers want a more responsive system, with easy ways to make decisions on how their information is used, and to change their minds if their preferences change – something that NGIs should also heed. With regards to NGI-type services specifically, the report recommends that:

Be clear on how they make money, provide accountability, fair complaint handling and redress, and give consumers the control they want over their own data.

And that regulators should:

*Create a framework which preserves the protections that consumers currently enjoy if things go wrong with data handling, and does not put the liability on them.*⁷⁸

⁷⁶ [Fairness and flexibility Making personal data work for everyone](#), Citizens Advice, July 2016.

⁷⁷ Ibid.

⁷⁸ Ibid.

