Supplementary submission on fixed price rise implementation

Headlines:

- While it is relatively simple to implement fixed price rises quickly, the detail that Ofcom has proposed around presentation raises additional complexity.
- In other words, removing CPI and replacing it with fixed rises can be achieved within a couple of months. Revising our journeys and contract summaries to present information on price rises in the way Ofcom has proposed will take much longer ([redacted]) and also generate additional cost. At the same time, it might not generate proportionate additional benefit for consumers and in some cases may have adverse effects.
- We think the best way to adapt for this is for Ofcom to continue to require CPs to present fixed prices in a clear way, but to be less proscriptive on the exact way this should be done. Specifically:
    - Where a price rise is tied to contract start date or another piece of data that is not known at time of issuing contract summary, do not require statement of a specific date, but allow it to be stated as "X months from contract start date"
    - Do not require statement of what the price will go up *to*, but allow a statement of what the price will go up *by*.
- This will allow for quick implementation, and avoid higher costs [redacted]
- If Ofcom is not willing to revise its proposals to set a higher-level, less proscriptive requirement around presentation, it will need to ensure it gives operators more than four months to implement its proposals.

Challenges in implementation

Further to our discussion on Tuesday, as promised we are sharing some further detail on why Ofcom's specific proposals on how price rises should be presented are complex to deliver, particularly when compared to delivering fixed price rises without additional changes to how they are presented.

Having undertaken a significant amount of work to assess implementation of Ofcom's proposals, we have concluded that while implementing fixed price rises in place of CPI is achievable at moderate cost and within a short window, significant complexity arises when it comes to integrating information on price rises into our journeys and contract summaries in the way that Ofcom has proposed.

As such, ahead of issuing its final decision, we are sharing further information around the complexity of implementing the detail of Ofcom's proposal. In light of this information, we believe that Ofcom should consider some changes to its specific proposals around presentation, which would enable swift implementation while also delivering the certainty and transparency that customers need.

You will recall that when we spoke, I explained that Ofcom's proposals are not as simple as substituting our current CPI approach with equivalent information on a fixed price approach. Ofcom has proposed conditions and guidance which require:

- Statement of a specific date of price rise and;

- For the new price to be stated, rather than the price rise amount.

In order to present information in this way, Vodafone would essentially have to replace static, easily configurable text in our journeys with markedly more complicated logic to determine dynamic information based on variable factors.

For example, assume a fixed price rise of £2 on a plan starting at £40. Under Ofcom's proposals, as part of our sales journey, there would have to be information displayed in both the purchase and contract summary which stated:

> **From [date] your price will be £40.**
>
> **On [date] your price will increase to £42.**
>
> **On [date] your price will increase to £44.**

We understand that Ofcom's desire in setting this requirement was to ensure clarity and transparency for customers, an objective with which we agree.

Alternatively, the following could be included in a journey:

> **"On 1 April 2024, your monthly bill will increase by £X. On 1 April 2024, your monthly bill will increase by a further £X".**

Such a statement can leave the customer with no doubt about the fact that their price will increase and by how much, and it is manifestly easier for a customer to understand the price increase than it is in a CPI/percentage based approach. It is also possible to introduce such a statement with much lower cost than under Ofcom's proposals.

This is because this alternative presentation would not require the introduction dynamic calculation of dates and amounts into our journeys and contract summaries. Building the type of logic that would be required involves numerous complex steps, including:

[redacted]

These steps all require careful execution and time to do properly. Rushing these steps can easily result in unforeseen outcomes, to the detriment of the quality of a customer's experience.

Additionally, all IT changes require careful scheduling [redacted]. Ofcom will appreciate that IT changes require careful planning and execution, and [redacted] Over the coming months, we have a raft of important changes that we will need to roll out, both regulatory ([redacted]) and commercial, such as [redacted]. All of these must compete for the limited resource available to deliver changes effectively.

As such, despite having commenced our sizing and assessment of these changes in January, shortly after Ofcom's consultation was issued, [redacted]

In contrast, to replace CPI related information with static text in fixed price rises can be achieved with no new technical design, and as such requires a lower degree of testing to ensure that the addition of static text does not disrupt any existing elements of the journey. This can be achieved within the space of a few months, [redacted]

Further challenges to implementing Ofcom's proposals

Beyond the challenges involved in designing and executing the logic for these changes, there are also several conceptual issues with executing Ofcom's proposal.

The contract start date is not known when the customer is sent their contract summary

When a customer places an order, for either mobile or broadband services, Vodafone will not always know the contract start date. It is Vodafone's approach to only start a customer's contract when the customer receives all that they need to actually use the service. In the case of mobile, that will mean waiting until they have received their handset and SIM and activated their service, and in the case of broadband that will mean waiting until our supplier has installed and activated a working service at the customers home.

[redacted]

As such, when we issue the contract summary we will not know the customer's start date. Under Ofcom's current proposals, operators must always state a precise date on which a customer's price will increase. However, in many cases, a price increase will be tied to a customer's contract start date. For example, if a customer's price will go up after six months because a discount expires, we will not know at the time of issuing a contract summary what that date will be. We can say with certainty that it will expire in six months from contract start, but to go further than that risks sending the customer incorrect information.

In order to comply with Ofcom's requirement, it is therefore possible that [redacted]. Were Ofcom to depart from its proposed approach of requiring operators to set specific dates, but instead simply require operators to ensure that it is clear to customers when prices will rise, this would remove this complication. It is also worth noting that the contract start and end dates are easily retrievable by the customer on their Vodafone account, so there is no cognitive burden on the customer to remember when they entered into the contract in order to calculate their price rise.

Ofcom's requirement around presenting price increases could cause some customer confusion

We also discussed the fact that Ofcom is seeking the statement of what the core price is increasing to, rather than what it will increase by.

Ofcom has been clear that its price rise rules will apply only to the core price that the consumer will pay. There would be no need to apply these rules to out of bundle charges or additional extras (e.g. roaming add-ons or entertainment add-ons). Vodafone presents the core price to all of our customers in their journey and contract summary. However, in order to ensure that our customers fully understand what their monthly bill will be before they complete their purchase, the most prominent price that we present will be the total monthly price, including any add-ons, on their contract summary.

Ofcom's proposals indicate that the price rise information should be the most prominent pricing information displayed to the customer. As such, in order to balance the need to provide clarity around total monthly cost with the Ofcom requirements, we would need to present the price rise information against the total starting monthly price, as against the core price.

However, in many cases, customers can vary their add-ons over time. As such, when each price rise date arises, it is possible that the fixed price amount will be added to either a lower or higher amount than the original monthly price. Where this is the case, it is entirely possible that customers will be confused that their price has not gone up to the amount they were told in the contract summary.

We believe that the simplest way of circumventing this confusion is to replace the obligation to state what the price will go up to with the amount the price will go up by. This calculation is significantly simpler to do than undertaking a percentage calculation, and can leave the customer under no confusion that their price will go up by a definitive amount at different points through their contract.

Conclusion

In light of the above we believe Ofcom should shift to requiring operators to state price rises in fixed amounts, but to change its proposal so that:

- Operators have flexibility to specify when a price changes against the contract start date, rather than requiring the statement of a specific date;
- Operators are able to explain the price rise amount, rather than what the price is increasing from and to.

We believe that the simplest execution is appropriate, balancing Ofcom's desire to ensure clarity and transparency around pricing, while also balancing the costs incurred by industry.

If Ofcom is not minded to shift to this position, we believe it is vital that it reflects on the timetable it has set, and allows significantly longer than four months for implementation, as requested in our original submission.