



Easier switching = more incentive for the "loyalty penalty"

We react to a news release from Ofcom - [End it with a text: easy mobile switching from Monday](#).

This reminds of new rules which come into effect on Monday 1 July, which make it easier to switch mobile providers (when outside the period covered by a contract).

One intended effect of this change is to avoid *"attempts to persuade them to stay"*.

Whilst the **fair telecoms campaign** fully supports protection of the right of any customer to switch providers, any promotion of switching serves to encourage *"the loyalty penalty"*.

This penalty exists because consumers and providers are urged to accept the concept of serial switching, as the only way to ensure a fair price for telecoms services.

This inevitably leads to introductory offers being made to switchers, creating a price differential with loyal customers – this is what is defined by **Citizens Advice** as *"the loyalty penalty"*.

We believe that the principle of fairness demands that consumers without the time, awareness and energy to continually review the market – in the role of a professional buyer – should not suffer significant disadvantage against consumers who, quite rightly, are able to use their time and talents in negotiating a good deal.

Pressure must be applied to providers to ensure that **all** consumers have a fair deal. Special promotional offers should not be prohibited, but an undue bias in favour of those who switch cannot be ignored and should not be encouraged.

It is significant that a particular feature of this new switching arrangement is said to be an attempt to avoid providers being able to act to retain existing customers.

The right to switch must be protected. It is however damaging to the interests of consumers in general for this to become a commonplace feature of the market.

One notable reason for this is the large amount of money that is taken out as an overhead in marketing effort, rather than the delivery of services. For example, this is seen in the commissions paid to support the "switching industry", which has now grown up through many online services.

It is also absurd to suggest that lower introductory prices for switchers are not inevitably reflected in higher prices for loyal customers.

We do not attack protection of the right to switch. This must however be balanced by protection of the right to remain. In this case, for the market as a whole, "leave" and "remain" are not mutually exclusive options!

Economic theory suggests that it is the **threat of switching**, in a competitive market, which ensures fair prices for all consumers. Effectively compelling consumers to switch, in order to get a fair deal, is to undermine the intended benefit to consumers from a competitive market.

Whatever the respective percentages, both switchers and remainers must be treated fairly.

Please get in touch for further details and comment.