



## MAC & AOT ‘as-is’ Process Review

### Final Report

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## **1.0 Executive Summary**

### **1.1 Summary outcome**

This review has now progressed to the point where, based on inputs received from participating SPs, we now have the following:-

- A comprehensive view of the weaknesses (and contributing factors) of the existing AOT & MAC processes. Some SPs also provided supporting evidence to underpin their views.
- A programme of remedies & timescales aimed at resolving the weaknesses relating to the AOT process.
- It was agreed at the Industry Migrations Programme Board that CPs would concentrate their efforts on improving the AOT process as the weaknesses identified were considered to be more pressing compared to the MAC process.
- Another factor in making this choice is that CPs were keen to limit any material investments in improving the existing processes pending the outcome of the Ofcom Strategic Review of Migrations processes.

In terms of next steps, the plan is to publish this document as the final report and to assign ownership of the proposed improvement plan and its execution to the existing Migrations Programme Board (MPB) which is supported by all of the major CP stakeholders and chaired by the OTA.

### **1.2 The 'Headline' Weaknesses**

Based on SP votes registered and supporting evidence provided, the most serious weaknesses(W) & contributing factors (CF) were identified as follows:-

#### **1.2.1 AOT Process**

##### W1 - Consumer Protection

- CF1/1 – Consumer under/misinformed
- CF1/2 – Intimidating letter from Losing SP
- CF1/3 – Cancel Other misuse by Losing SP
- CF1/4 – Losing SP does not 'do' cancel other

#### W2 - Hassle-Free Experience

- CF2/1 – Consumer hassle

#### W3 - GC24 Compliance & Ofcom Enforcement

- CF3/1 – GC24- Poor Compliance & Weak Enforcement

### **1.2.2 MAC Process**

#### W9– Front end experience is not hassle-free and is a disincentive to switching

- CF9/1 – Need to contact existing SP
- CF9/2 – Retention activity by existing SP
- CF9/3 – Consumer can wait up to 5 days for MAC to be given
- CF9/4 – Open to SP misuse

#### W10- Erroneous / Invalid MACs

- CF10/1 – Corrupted MACs
- CF10/2 – Erroneous Rejections

### **1.3 Proposed Remedies**

This review has focused on identifying remedies to address weaknesses highlighted by SPs in their responses reinforced in part by additional evidence supplied.

The extent to which these weaknesses fall short of satisfying the required 'principles' has been gauged from the volume of weakness 'votes' registered taking account of any supporting evidence provided.

Each of the attached documents (i.e. AOT-Appendix A, MAC-Appendix B) includes a programme of short-term remedies which would address all of the weaknesses highlighted in this summary.

## **2.0 Review Process**

CPs were invited to review the current MAC & AOT process against a set of 12 'principles' which were agreed at a Ofcom-hosted stakeholder event (5th October 2009) as the minimum required characteristics of any 'fit for purpose' switching process.

Specifically, CPs were asked to identify any 'material' weaknesses within these processes and to provide as much supporting evidence as possible.

OTA2 collated the various responses and, based on the weaknesses (and evidence) provided, developed a 'straw man' view of possible actions/remedies needed to address the weaknesses highlighted. This was shared with CPs in a multilateral workshop (and various bi-laterals) with a request to socialise the 'straw man' internally with relevant experts, and to provide additional feedback which OTA2 would use to shape the final outcome in terms of a realistic 18-month 'plan for improvement' which industry stakeholders (including Ofcom) would be ready to sign up to.

This has now been completed and the proposed programme is included in the attached appendices.

### 3.0 12 'Principles' to be Satisfied

For ease of assessment, the 12 'principles' derived from last year's Stakeholders event were arranged as shown in the table below. Principles 1-3 and 4-6 were arranged as 2 discrete groups as they appeared to focus on similar characteristics:-

Ref	Principle
1	The need to be consumer friendly & hassle free
2	The need for a simple, convenient process
3	That there should be minimal effort on the part of the consumer in order to switch
4	The need to protect the consumer
5	The need to minimise instances of mis-selling/slamming and other unfair practices
6	That consumer should be fully informed throughout the switching process
7	Where problems occur, the need for consumers to be quickly restored to where they want to be
8	The need for a quick and reliable process
9	Continuity of service
10	That the process should be able to map across different sales channels
11	The ability for consumers to be able to transfer more than one service at a time
12	The need for a cost-efficient solution.

#### **4.0 AOT Migration Process - High-Level Description**

This is a 'gaining provider' led process whereby the Consumer simply places their 'request to transfer service' with their chosen Service Provider who takes the order and progresses it to completion.

The Consumer is not required to notify or contact their current SP although they will receive 'Notification of Transfer' Letters from both Losing and Gaining SPs confirming the position.

This process caters for all types of 'sales channel' e.g. Retail shops, on-line website, door-step sales, telesales/cold call, call centre sales for inbound enquiries.

A key 'safety-net' mechanism is built into the process whereby a 10-day 'cooling-off' period is allowed to elapse before the transfer is actually executed, to give the consumer adequate opportunity to 'change their mind', if they so wish.

In the event that the Consumer decides to change their mind, and the 'point of no return' has not been missed, they can register their decision to 'cancel' with either the new SP (i.e. Cancel Own) or, if the new SP refuses to do so, the Consumer can alternatively notify their current SP who can cancel the transfer order from their end (i.e. Cancel Other).

#### **5.0 AOT Process - Headline Weaknesses.....and Why?**

The following is a summary of the 'headline' weaknesses highlighted in the review and the contributing factors.

##### **5.1 W1 - Consumer Protection**

In terms of the feedback and supporting evidence received, the weakest element of the AOT process is its ability to provide effective Consumer protection.

The principles which appear to be very poorly served by the AOT process are those which relate to consumer protection:-

<b>Ref</b>	<b>Principle</b>
4	The need to protect the consumer
5	The need to minimise instances of mis-selling/slamming and other unfair practices
6	That consumer should be fully informed throughout the switching process

There are a number of contributing factors (CF) behind this headline weakness

CF1/1 – Consumer under/misinformed - The front-end ‘Point of Sale’ discussion with the Gaining SP can leave the Consumer under-informed (and possibly misinformed) in terms of not understanding the full implications of their decision to switch suppliers (e.g. early termination charges from current SP).

As a consequence, the actual incidence of Consumers deciding to cancel their order during the cooling-off period, due to either genuine ‘change of mind’ or ‘miss-sell’ or ‘slam’ appears to be very high in view of the evidence presented to date (e.g. volume of mis-selling complaints to Ofcom).

This would suggest the current front-end ‘point of sale’ discussion is not sufficiently robust enough to ensure Consumers have ‘all’ the information they need to make an informed choice with minimal risk of ‘changing their mind’ subsequently. This appears to be an inherent weakness with the current AOT process which can be further abused by unscrupulous SPs.

CF1/2 – Intimidating Letter from Losing SP - This issue (i.e. under/misinformed consumer) is potentially resolved on receipt of ‘notification of transfer’ letters from both Gaining & Losing SPs during the 10-day cooling-off period, although there is evidence to suggest that having received the letter from their current SP, the Consumer can be sufficiently alarmed by its content that they feel compelled to contact their current SP to clarify their position and can immediately find themselves under pressure to ‘change their mind’ and led down a well-scripted series of Q&A which inevitably concludes with a ‘cancel other’ order being placed, despite the fact that they had previously decided to switch to another SP.

CF1/3 – Cancel Other misuse by Losing SP - The ‘cancel other’ element of the safety-net process exists to allow Consumers, who have voluntarily decided to ‘change their minds’, to legitimately instruct their current SP to cancel the transfer order on their behalf, in those circumstances where the Gaining SP has refused or is reluctant to do so.

However, there is evidence to suggest that some Losing SPs deliberately misuse the ‘cancel-other’ process to ‘prevent’ Consumers from leaving them regardless of their wishes.

CF1/4 – Losing SP does not ‘do’ Cancel Other – Apparently, SPs’ adoption of ‘cancel other’ is not mandatory. If they choose to formally adopt the ‘cancel other’ process they are obliged to comply with all the rules around it and will be subject to Ofcom enforcement activity if any breaches arise.

As it is non-mandatory some SPs take the view that they'd rather forego the benefit of adopting 'cancel other' than run the risk of formal Ofcom enforcement if they get it wrong.

The consequence of this is that such SPs will not be able to assist consumers who have a genuine need (e.g. I've been mis-sold) for them to raise a 'cancel other' order on their behalf.

## 5.2 **W2 - Hassle-Free Experience**

In terms of 'happy path' the AOT process is generally viewed as a good experience and hassle free for Consumers as they simply have 1 conversation with their chosen SP and that's it ... The service gets delivered following the 10-day cooling off period.

CF2/1 – Consumer Hassle – In practice, there is evidence to suggest that the hassle arises in those circumstances where, following receipt of the 'Notice of Transfer' letters, the Consumer feels compelled to contact 1 or both SPs to clarify their position and then finding it difficult to get the Gaining SP to 'cancel' their order. There is evidence to suggest that whilst most Gaining SPs present a very slick and consumer friendly process to allow Consumers to cancel their order there are some who make it very difficult.

The principles mostly compromised by this weakness are:-

Ref	Principle
1	The need to be consumer friendly & hassle free
2	The need for a simple, convenient process
3	That there should be minimal effort on the part of the consumer in order to switch

### **5.3 W1 & W2 - CP Compliance Issue**

These 2 weaknesses (i.e. poor Consumer Protection & Consumer Hassle) are mostly attributable to the fact that NOT all parties (i.e. LSPs & GSPs) apply the correct procedures and behaviours from Point of Sale through to service delivery (or cancellation). Specifically:

- Consumer may not be 'fully informed' at Point of Sale despite being prompted by the Gaining SP to check their 'exit' position regarding any existing services.
- Inappropriate SP Sales & Marketing practices at Point of Sale (i.e. Gaining SP)
- Inappropriate content, accuracy & timely receipt of the NoT letters
- Inappropriate Gaining SP practices in responding to 'cancel own' requests
- Inappropriate Losing SP practices in responding to 'cancel other' requests
- Inappropriate Losing SP practices in responding to simple requests for clarification from Consumer in response to Losing NoT letter.

Which leads us to the next major weakness:-

### **5.4 W3 - GC24 Compliance & Ofcom Enforcement**

Since 2005, Ofcom has imposed obligations on providers of fixed-line telecommunications to prevent consumers from having their services switched without their express knowledge or consent. These obligations required communications providers to conduct themselves in an appropriate manner when contacting consumers regarding sales and marketing practices in line with a Code of Practice. However, the level of mis-selling has remained high. (Ofcom Statement published 18/12/09 refers– Protecting Consumers from mis-selling of fixed line telecommunications services)

As a consequence, following a period of formal consultation with Industry, Ofcom have sought to strengthen the regulations by moving away from an approach requiring all providers to establish, and comply with, a Code of Practice, to a new General Condition ('GC24') which:-

- prohibits inappropriate sales and marketing activity
- extends Cancel Other rules in respect of the circumstances that providers are able to apply Cancel Other, to cover all providers supplying fixed-line telecommunications services and separately withdrawing the Cancel Other Direction which previously applied only to BT.

The correct procedures & practices to be applied by ALL SPs are now comprehensively detailed in the new General Condition 24, which became effective from March 2010.

If all CPs were to fully adopt and consistently comply with the practices & procedures now detailed in GC 24, the issues highlighted above (i.e. CF1/1, 1/2, 1/3, 1/4, 2/1) would reduce significantly.

CF3/1 – GC24- Poor Compliance & Weak Enforcement – Whilst the majority of SPs have or will be taking the necessary steps to ensure their ongoing compliance with GC24, the reality is that some SPs are unable or unwilling to maintain full compliance, with potential negative consequences for any consumers they have dealings with.

In these circumstances, Ofcom's ability to swiftly & effectively investigate alleged breaches and to positively identify delinquent SPs, is paramount if they are to achieve effective enforcement.

However, it is apparent that Ofcom's ability to proactively monitor GC24 compliance and to apply prompt effective enforcement actions when the need arises is less than satisfactory. (e.g. recent request from Ofcom to Copper Products Commercial Group to develop Reseller ID capability refers)

#### **5.5 W4 – No Emergency Restoration Process**

CF4/1 – No ER process - End-users do not have a process where they can be quickly restored in the event of an erroneous transfer. This weakness is not peculiar to the AOT process (i.e. applies to MAC process also)

#### **5.6 W5 – AOT Process is not quick and can be unreliable**

CF5/1 – Erroneous Migrations - There is evidence which reveals that the AOT process suffers from an underlying process issue which manifests itself in the form of 'erroneous migrations' (i.e. wrong consumer switched)

CF5/2 – 10 day cooling off period - By design the current AOT process incorporates a 10-day cooling off period for consumers to 'change their minds' (to accommodate the Distance Selling Regulations) before the service is actually delivered. By allowing this 10-day period, SPs are able to mitigate the business risk of expensive restoration effort if Consumer changes their mind after service has been delivered.

#### **5.7 W6- Loss of Service**

CF6/1 – Consumer not informed that they may lose their broadband for a few days - Customer may be unaware that moving phone line rental may also trigger cancellation (and disconnection) of their broadband service if they are currently receiving a bundled Voice & Broadband service provided over MPF by their

current SP. This weakness can be avoided if SPs have adopted latest systems capabilities (e.g. Linked Order provisioning)

**5.8 W7- Inconsistent consumer experience when switching BB (i.e. on its own vs part of bundle)**

CF7/1- Additional need for a MAC - Requirement when moving from 1 bundle (WLR & SMPF) to a new bundle (WLR & SMPF) to also use MAC process to switch BB service separately – Consumers & SP advisers find this very confusing and invariably get it wrong. i.e. the need for a MAC depends on type of access method consumer is coming from and going to. There was a recent attempt by Industry to eliminate this confusion by removing the need for a MAC but the ‘SOR’ never progressed due to lack of industry ‘consensus’

**5.9 W8- Costly Process**

CF8/1 - Significant and increasing Postal charges.

**6.0 MAC Migration process – High Level Description**

This process is commonly described as a ‘losing provider’ led process whereby the Consumer is required to obtain a Migrations Authorisation Code (MAC) from their current Broadband SP before they can place a firm order with their chosen Gaining SP.

This process is only applicable in those circumstances where the consumer is switching their Broadband Service.

In the first instance, the Consumer would normally contact their Gaining SP, who would advise the Consumer as to whether they need to obtain a MAC code from their current SP or not. Once they have received their MAC code they need to re-contact their Gaining SP to place their order.

This process does not map cleanly to most face to face sales channels as the sale cannot be closed until a MAC code has been obtained from the losing SP.

**7.0 MAC Process - Headline Weaknesses.....and why?**

The following is a summary of the ‘headline’ weaknesses highlighted in the review and the contributing factors

**7.1 W9 – Front end experience is not hassle-free and is a disincentive to switching**

The weakest element of the MAC process is that many initial service requests coming into the Gaining SP (i.e. BB only) are ultimately cancelled due to combination of consumer frustration in obtaining a MAC from Losing CP & successful retention activity.

The principles most compromised by this weakness are:-

Ref	Principle
1	The need to be consumer friendly & hassle free
2	The need for a simple, convenient process
3	That there should be minimal effort on the part of the consumer in order to switch

There are various contributing factors:-

CF9/1-Need to contact existing SP- Consumer unable to simply place their order with their Gaining SP as they need to obtain a MAC from their existing 'losing' provider first.

CF9/2 – Retention activity by existing SP – When requesting a MAC, the Consumer is exposed to unwanted attempts by the current 'losing' SP to retain their service, despite having made their mind up to leave.

CF9/3 – Consumer can wait up to 5 days for MAC to be given - Consumer can wait up to 5 days for MAC to be allocated following initial request, during which time the consumer can become very frustrated and decide to abort.

CF9/4 – Open to SP misuse - CPs can withhold the MAC code as a means of obtaining outstanding payments

**7.2 W10- Erroneous/invalid MACs**

CF10/1 – Corrupted MACs - There is evidence to show that the specified format of MACs codes is such that they can be easily corrupted in translation, giving rise to rejected orders, repeat attempts & inevitable frustration on part of Consumer.

CF10/2 – Erroneous MACs – Valid MACs have been 'erroneously' rejected by OR/EMP....forcing consumer to repeat whole cycle again.

### **7.3 W11– No Emergency Restoration Process**

CF11/1 – No ER Process - End-users do not have a process where they can be quickly restored in the event of an erroneous transfer. This weakness is not peculiar to the MAC process (i.e. applies to AOT process also)

### **7.4 W12-Barrier to Sale**

CF12/1 – Barrier to Sale - This process does not cater for most face to face sales channels (e.g. high street retailer) as the sale cannot be closed until a MAC code has been obtained from the losing SP.

### **7.5 W13– Consumer confusion**

CF13/1 – Consumer Confusion - At present the MAC process may only be used for BB-only migrations. Consumers & SP advisers find this very confusing and invariably get it wrong. i.e. the need for a MAC depends on type of access method consumer is coming from and going to.

## **8.0 Proposed Remedies & Way forward**

This review has focused on identifying remedies to address weaknesses highlighted by SPs in their responses reinforced in part by additional evidence supplied.

The extent to which these weaknesses fall short of satisfying the required 'principles' has been gauged from the volume of weakness 'votes' registered taking account of any supporting evidence provided.

Each of the attached documents (i.e. AOT-Appendix & MAC-Appendix B) includes a programme of short-term remedies which would address all of the weaknesses highlighted in this summary.

- It was agreed at the Industry Migrations Programme Board that CPs would concentrate their efforts in the short term, on improving the AOT process as the weaknesses identified were considered to be more pressing compared to the MAC process.
- Another factor in making this choice is that CPs are keen to limit any material investments in improving the existing processes pending the outcome of the Ofcom Strategic Review of Migrations processes.



In terms of next steps, the plan is to publish this document as the final report and to assign ownership of the proposed improvement plan and its execution to the existing Migrations Programme Board (MPB) which is supported by all of the major CP stakeholders and chaired by the OTA.

Jim Reilly

OTA

9<sup>th</sup> August 2010