

An Overall Customer Satisfaction score for GB energy suppliers

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Residential energy supply is often assumed to be a homogenous product where customers do or should focus mainly on price, without particular concern about other factors such as quality or reliability of service. In reality, however, there is significant variation in tariffs and customer service, and most suppliers (and hence their likely quality of customer service) are unknown to most customers. Various studies suggest that customers prefer suppliers that they know and trust. How best to inform customers about these differences and thereby to enable customers to engage better in the market?

Ofgem, the Consumers' Association (publishers of Which?), Citizens Advice, Trustpilot and others all publish periodic ratings of energy suppliers but they measure different things. Ofgem measures number of complaints and speed of resolving them. Which? asks customers' views of particular companies. Citizens Advice collects data on a number of different features of each supplier's performance. Trustpilot is a review site that enables customers themselves to leave reviews and rate companies including energy suppliers. Each of these ratings has merits: two are subjective, two seek to use objective data. They are each oriented to the interests and concerns of a particular set of interests. They each also have limitations, for example in terms of range of coverage or frequency of rating. It is also possible that differences in the interpretation of questions or criteria, rather than differences in company performance, might lead to differences in ratings.

The paper finds varying degrees of correlation between the ratings given by these four different organizations, including zero correlation between the ratings of Citizens Advice and those on Trustpilot. This suggests that the four ratings are focusing on different aspects of customer service or satisfaction. Customers might well be confused by these differences. There seems no prospect of the four organizations agreeing on a single way to measure customer satisfaction, nor indeed is it argued that there is only one best way. This paper proposes instead an Overall Customer Satisfaction (OCS) score, defined as the average of the ratings published by the above four entities.

The paper calculates this index for about 30 suppliers on fourteen days from May 2018 to August 2020. Some suppliers have markedly improved their OCS ranking over this period: these include the six Large former incumbent suppliers, but this was from a relatively low level. All but one of the suppliers in the upper quartile of the latest index are relatively new and were not listed during the first 9 months. Medium suppliers tend to have higher scores with less variation. There is greater variation in the scores of Small suppliers.

In spring 2018 there was a statistically significant inverse relationship between price and OCS score – that is, the suppliers with higher satisfaction scores tended to have lower prices; this is less clear during late 2019 and 2000. With the imposition of the tariff cap, standard variable default tariffs have become polarized between those offering negligible savings against the cap, and those offering a significant saving (over £100 per year). Nonetheless, those suppliers offering significant savings generally have higher median OCS score than those that offer negligible savings.

It is widely claimed that energy suppliers attract customers with low fixed tariffs then shift them on to expensive variable tariffs. Importantly, a small group of four suppliers in Division 1 of the OCS league have consistently offered not only high customer satisfaction but also low variable tariffs. That is, they have not sought to “bait and switch” but to reward customer loyalty.

The OCS score is intended to provide useful information for customers, in a simple form, to consider when assessing offers from other suppliers. It could also provide insights for suppliers into which aspects of their performance are more or less satisfactory. For customer organizations it could raise questions such as whether effort should be devoted to getting ratings of more suppliers, or more frequently. And it could assist in stimulating the competitive process in the retail energy market.

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