

1st Australian Customer Vulnerability Symposium

Challenging Assumptions of Customer Vulnerability:
Rethinking and Reframing

Breakout Session
**Cost of Living and Customer
Vulnerability – Issues, Challenges,
Solutions**

*Chair: Rowan Bedggood, Swinburne University of
Technology*

Speakers:

Ashton DeSilva, RMIT Economist

Janneke Blijlevens, Behavioural Business Lab, RMIT

*Lisa Farrell, Societal Economics Research Group (SERG),
RMIT*

Torgeir Aleti, Shaping Connections Group, RMIT



Strength-based Insights and an Economist's Perspective on Wellbeing

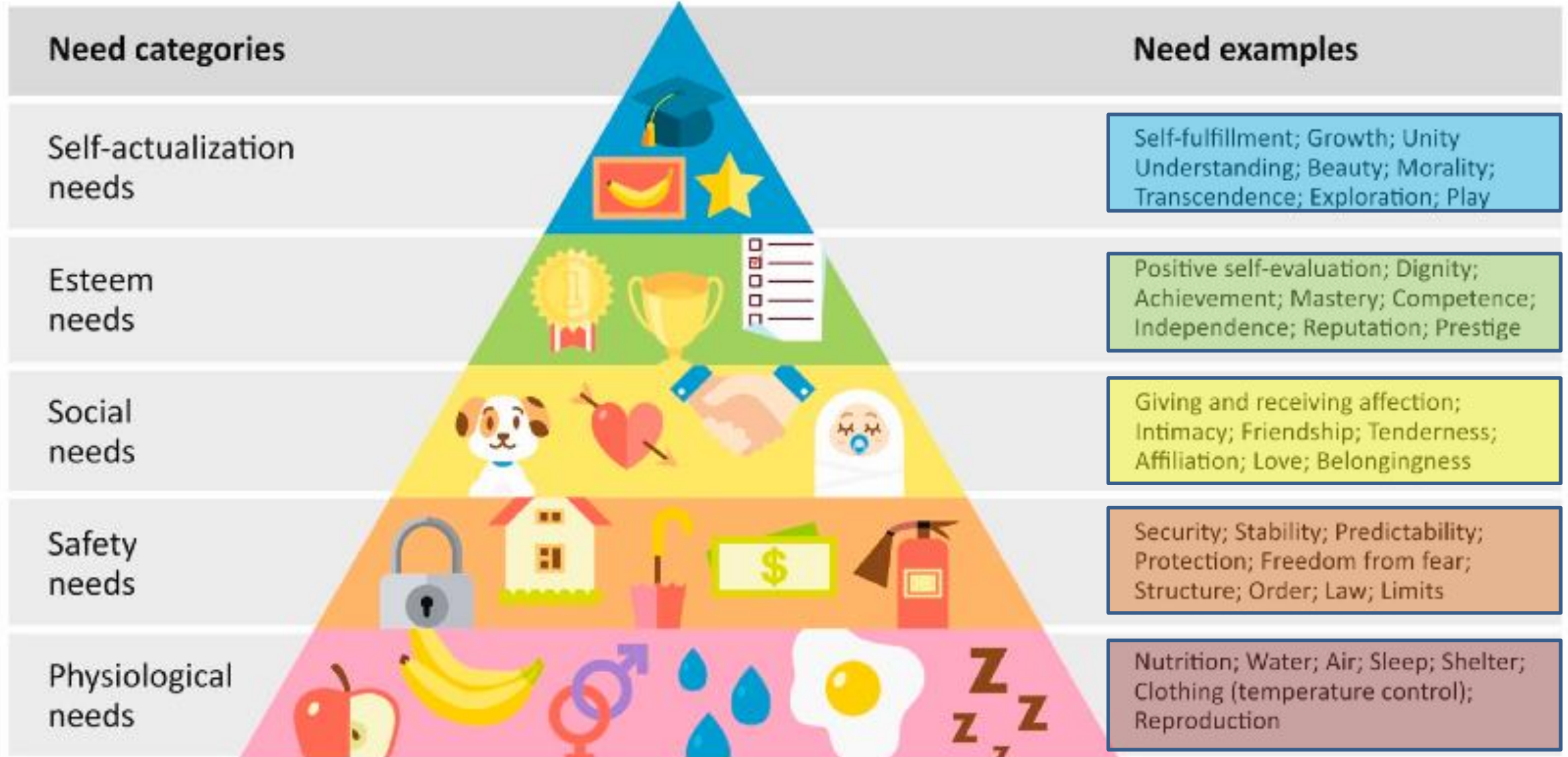
Housing and customer vulnerability

Presenter: Ashton de Silva

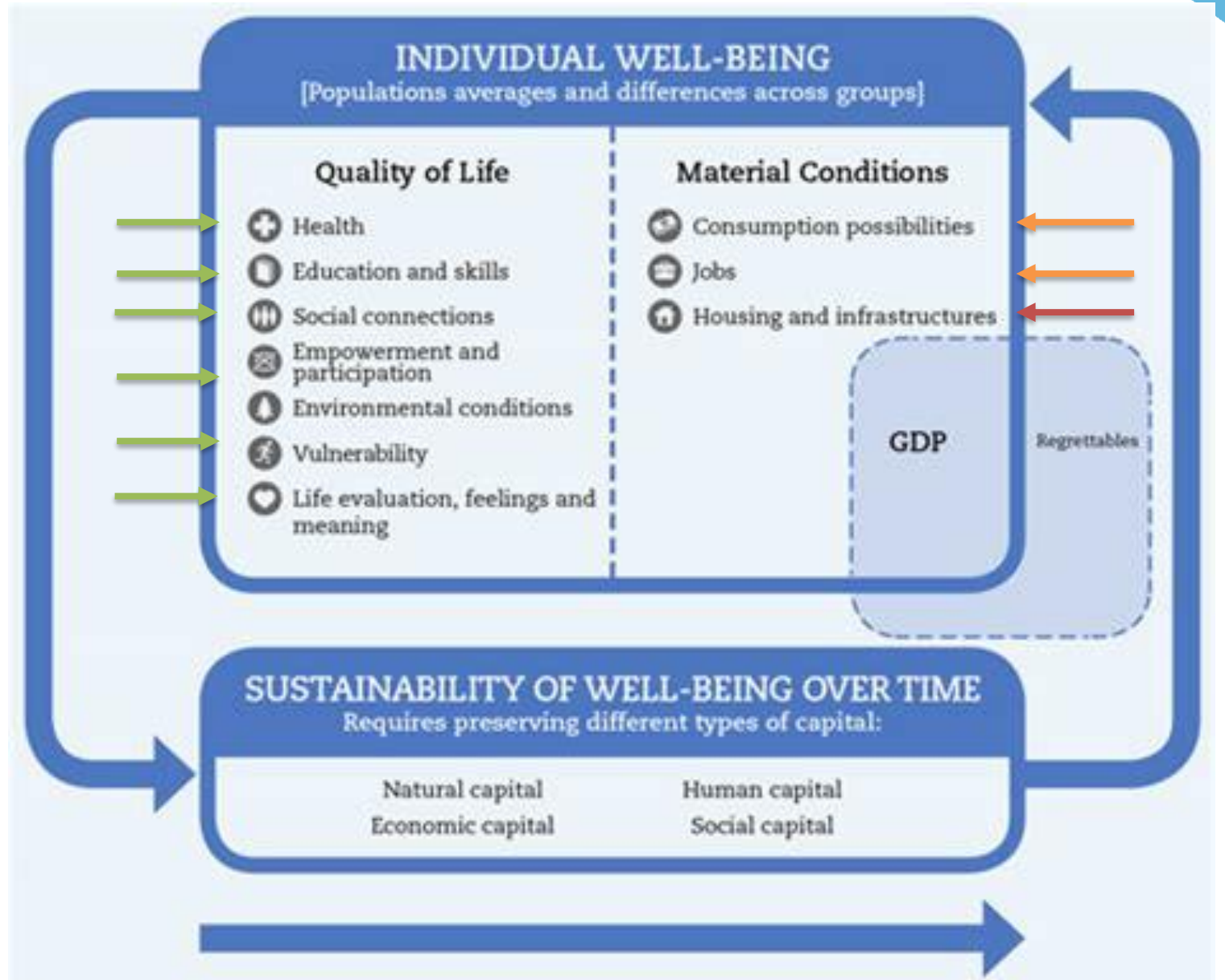


“Money worries are one of the main sources of stress in Australia, and can lead to relationship problems, depression or anxiety.”

Psychology of



What type of constructs do economists use to think about wellbeing (customers experiencing vulnerability)?



Mortgages/Rent

- HP: \$640K
- MP: \$2800 pm
- Rent: \$440 pw

Adelaide



- HP: \$740K
- MP: \$3200 pm
- Rent: \$520 pw

Brisbane



- HP: \$490K
- MP: \$2100 pm
- Rent: \$510 pw

Darwin



- HP: \$650K
- MP: \$2800 pm
- Rent: \$505 pw

Hobart



- HP: \$895K
- MP: \$3860 pm
- Rent: \$505 pw

Melbourne



- HP: \$1.15M
- MP: \$5200 pm
- Rent: \$650 pw

Sydney



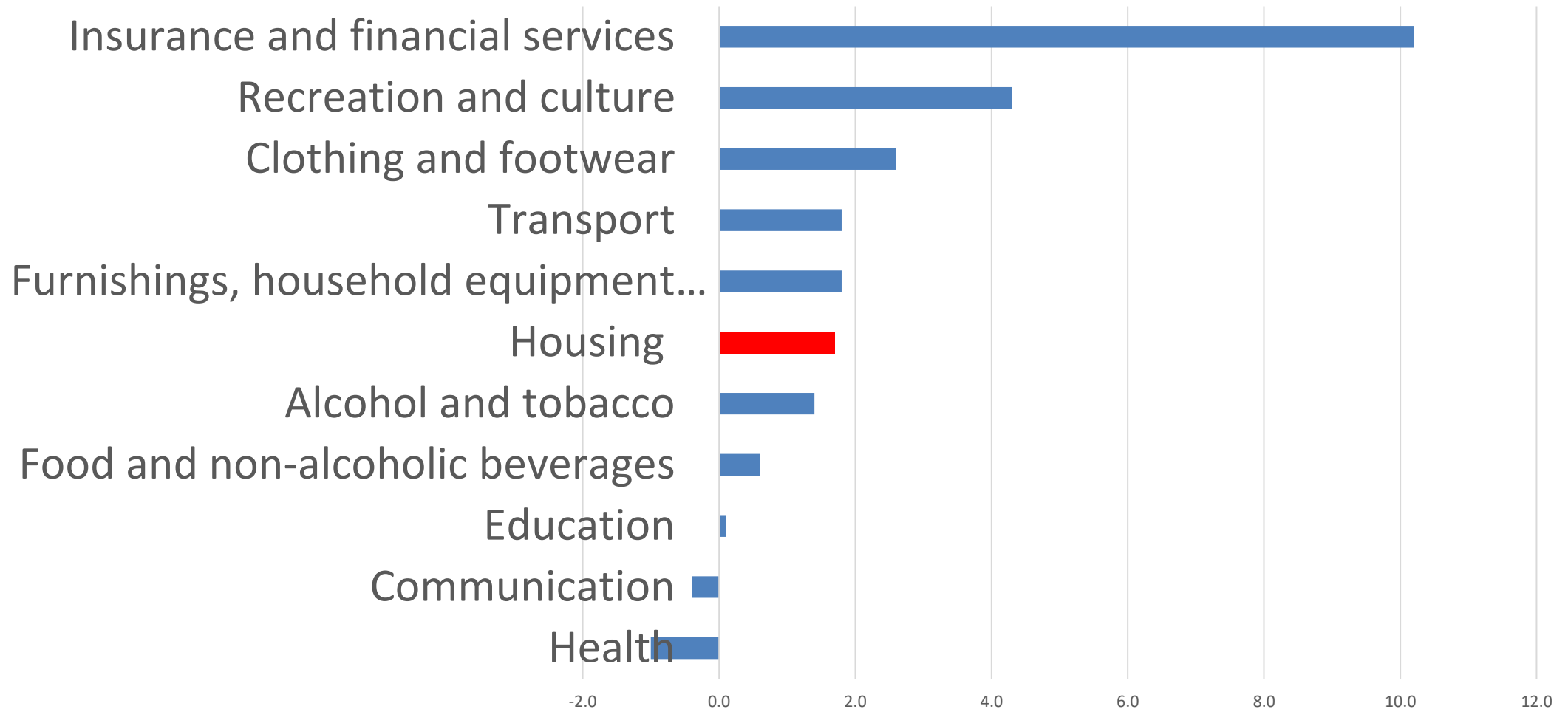
- HP: \$630K
- MP: \$2800 pm
- Rent: \$505 pw

Perth



Cost of Living: Housing in Context

Final Quarter of 2022



Empowering Victorians to Switch Energy Retailers: Service Quality as Driver

In contract for or the Consumer Policy Research Centre (CPRC)



Dr Janneke Blijlevens

RMIT University
Behavioural Business Lab
Consumer Wellbeing group



Consumer Wellbeing Research Group



Consumer Research Policy Centre: Challenge

Market Level

Royal Commission and other Regulators identify *poor practices* by companies delivering essential and complex services

Information asymmetry on quality of services offered (Akerlof 1970)

As a result:

- High quality services cannot differentiate themselves

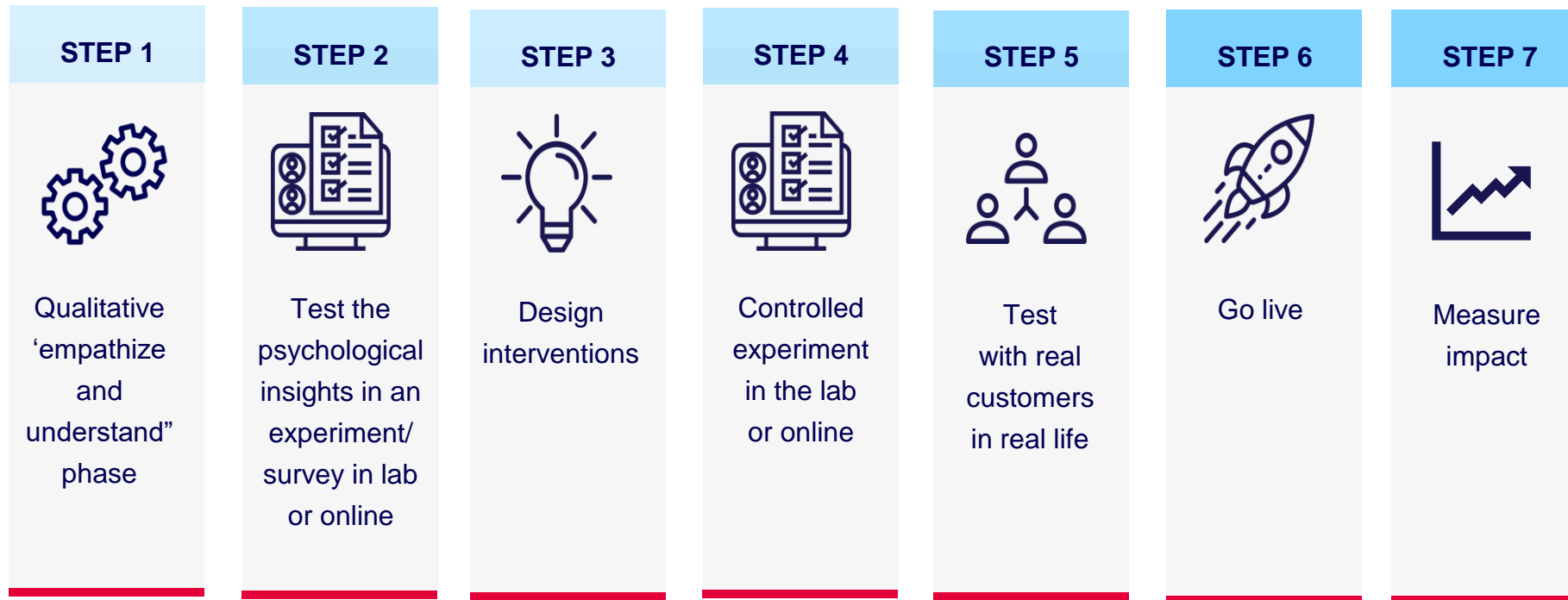
Consumer Research Policy Centre: Challenge

Consumer Level

Consumers are unable to differentiate a lemon from a peach without an understandable and reliable indicator of service quality

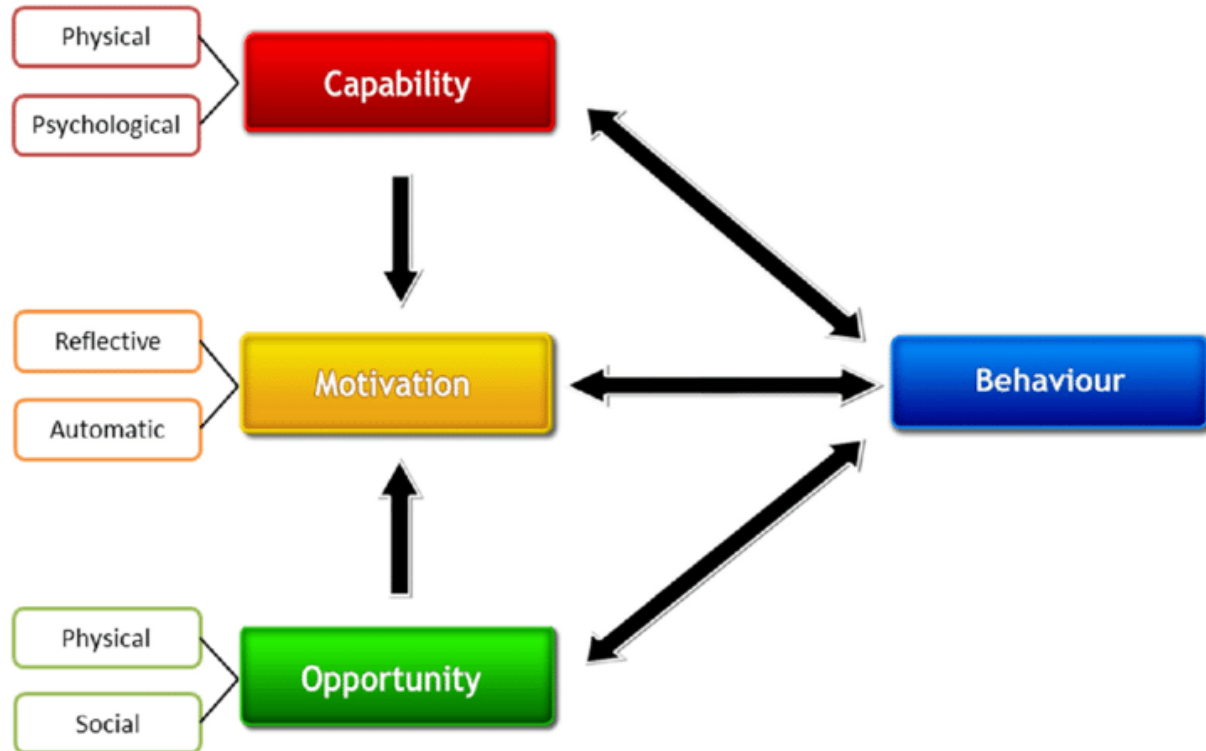
- uncertainty leads the status quo bias - not switching providers
- and as a result puts consumers at financial risk (additional cost due to resources required to resolve service issues by consumers estimated at 6.26 billion each year)

Behavioural Business Design Approach



A combination of human-centered design (DT) & behavioural economics approach to applying psychological insights to design evidence-based interventions that change behaviours/decision making for the benefit of people and society as a whole

Behavioural Business Design Approach to Empowering Victorians to Switch Energy Retailers




Knowledge and skills

What underlying needs are motivating behaviour

External factors, such as being prompted at the right moment in time

Motivation

STEP 1	Interviews	Results
 <p data-bbox="168 853 428 1079">Qualitative ‘empathize and understand’ phase</p>	<p data-bbox="512 625 759 1043">16 qualitative interviews to understand consumers’ information of service quality needs</p>	<p data-bbox="1437 615 1574 654">TRUST</p> <p data-bbox="848 711 1136 758">Transparency</p> <p data-bbox="848 865 1003 912">Agency</p> <p data-bbox="848 1015 1123 1062">Convenience</p> <p data-bbox="848 1165 1110 1212">Authenticity</p>

Motivation

STEP 2



Test the psychological insights in an experiment/survey in lab or online

DCE

Discrete Choice Experiment to assess willingness to pay for

Results: 3 person household, quarter

Transparency	\$42
Agency	\$30
Convenience	\$32
Authenticity	\$27

Capability

STEP 3



Design
interventions

Surveys

2 surveys:

**What
information**

How to present
information

Pieces of information

Transparency:

- fees and charges are communicated clearly
- disclosure of top executives' salaries

Agency

- call-centre staff provide all information to
make my own informed decisions

Convenience

- ability to switch companies without errors

Authenticity

- energy company responds well to complaints

Capability

STEP 3



Design interventions

Surveys

2 surveys:

What information

How to present info

Presentation

Transparency

Number of customers
(Source: Essential Services Commission)
 Total number of customers: 420,103
 Total number of households in Victoria: 2,520,620

Pricing before and after discounts
This Company
 Monthly price without discount: \$1,975
 Monthly price with discount: \$1,925

Industry average:
 Monthly price without discount: \$2,340
 Monthly price with discount: \$1,975

Agency

Helpfulness of call-centre staff
(Source: Essential Services Commission)



Convenience

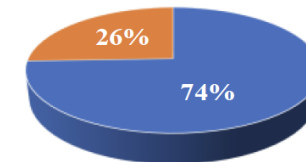
Authenticity

“This company does not give us the exact number of customers they have, but provides us with information on whether it has a large or small share of the total number of Victorian households. This gives us some idea about the size of the company”.

Essential Services Commission

“This company only provides prices after discounts. This makes it rather difficult for us to compare prices against the industry average”.

Responds well to complaints
(Source: Essential Services Commission)



■ Number of complaints
■ Number of complaints escalated to the Ombudsman

Capability

STEP 4



Controlled experiment in the lab or online

Lab Experiment

Treatment versus 'control':

Identify the company with high, medium or low on attributes

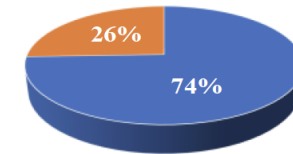
The 'best' company

Results

Helpfulness of call-centre staff
(Source: Essential Services Commission)



Responds well to complaints
(Source: Essential Services Commission)



■ Number of complaints
■ Number of complaints escalated to the Ombudsman

Opportunity

STEP 5



Test
with real
customers
in real life

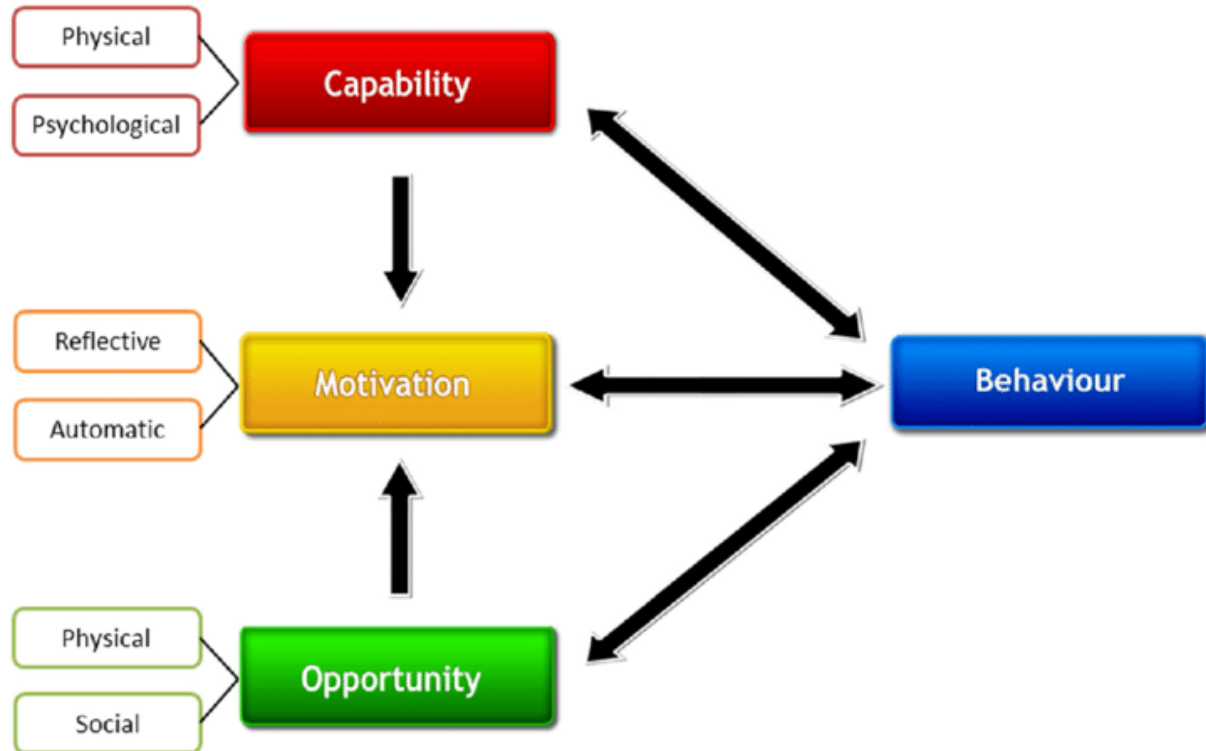
Field Experiment

Treatment versus
control:

Energy Compare
website versus
including attribute
information
presented in a way
that consumers
understand

	SERVICE QUALITY				EST. PRICES (inc. GST)
	Clarity of billing and pricing*	Responsive call centre, useful online tools and advice*	Ease of sign-up and switching*	Responds well to complaints*	
Alinta Energy ID: AL1128718MR					Eligibility criteria With conditional discounts \$1,220 \$1,220 /year
Momentum Ene... ID: MOM156494MR					Eligibility criteria With conditional discounts \$1,220 \$1,220 /year
Tango Energy P... ID: TAN160709MR					Eligibility criteria With conditional discounts \$1,240 \$1,240 /year
Lumo Energy ID: LU2161192MR					Eligibility criteria With conditional discounts \$1,260 \$1,260 /year
Dodo Power & ... ID: DOD137439MR					Eligibility criteria With conditional discounts \$1,270 \$1,270 /year
AGL ID: AGD128816MR					Eligibility criteria With conditional discounts \$1,270 \$1,270 /year
Origin Energy ID: OR2145404MR					Eligibility criteria With conditional discounts \$1,340 \$1,340 /year
Powershop Aus... ID: POD135458SR					Eligibility criteria With conditional discounts \$1,420 \$1,420 /year
Simply Energy ID: SIM139885SR					Eligibility criteria With conditional discounts \$1,420 \$1,420 /year
Red Energy ID: RED148502SR					Eligibility criteria With conditional discounts \$1,420 \$1,420 /year
EnergyAustralia ID: TRU159856SR					Eligibility criteria With conditional discounts \$1,420 \$1,420 /year

Empowering consumers to make their own informed decisions



Information presented in a way that empowers decision-making

Information that fulfils needs that consumers are motivated to fulfil

Prompted at moment of decision-making in easily digestible format

Consumer Research Policy Centre: Take aways

CPRC has the *evidence* to make the following recommendations to provide a regulatory and policy environment that empowers (vulnerable) consumers to make 'better' decisions for themselves

- 1 –Develop public facing measures of service quality in energy and other complex and essential service markets to address information asymmetries, particularly in markets where poor consumer outcomes have been repeatedly identified in regulatory inquiries and reviews.
- 2 –Improve the collection and rigour of regulatory performance data to inform a measure of service quality.
- 3 –Undertake ongoing consumer research to inform relevant aspects of the service quality measure.
- 4 –Adopt ongoing evaluation of market and consumer outcomes to determine consumer wellbeing, and research into consumer preferences of important aspects of
- 5 –Ensure the measure of service quality is easily accessible at the point of decision-making.
- 6 –Consider decision-making segmentation approaches to better understand barriers consumers face, as well as tailoring communications accordingly.

Policy changes

Towards energy equity

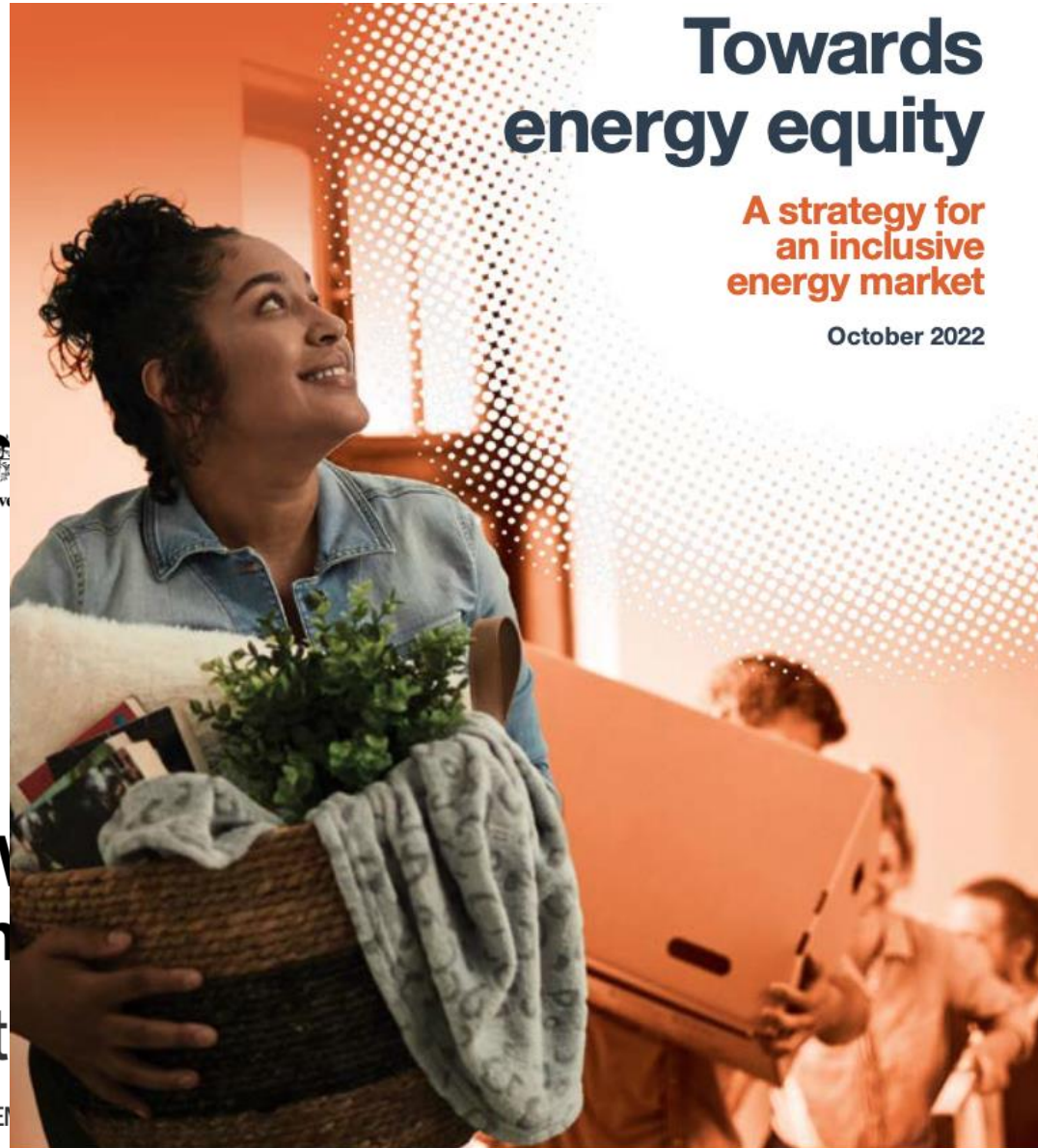
A strategy for an inclusive energy market

October 2022



ACM
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ications
ia Authority



Australian Government

Thank you!

Dr Janneke Blijlevens

RMIT University
Behavioural Business Lab
Consumer Wellbeing group



Consumer
Wellbeing
Research
Group



Investigating Australia's Energy and Food Cost Crisis.

Professor Lisa Farrell, RMIT University

This is joint work with Jane Fry and Jeromey Temple (Melbourne University).



Background

Since 2000, Australian energy prices nearly trebled, food prices up 75%.

For those with relatively fixed budgets, this may lead to an energy-food trade-off.

Evidence indicates a 'heat or eat' trade-off in UK, Europe and North America.

In Australia we may also have a 'cool or eat' tradeoff, so we consider energy more broadly.

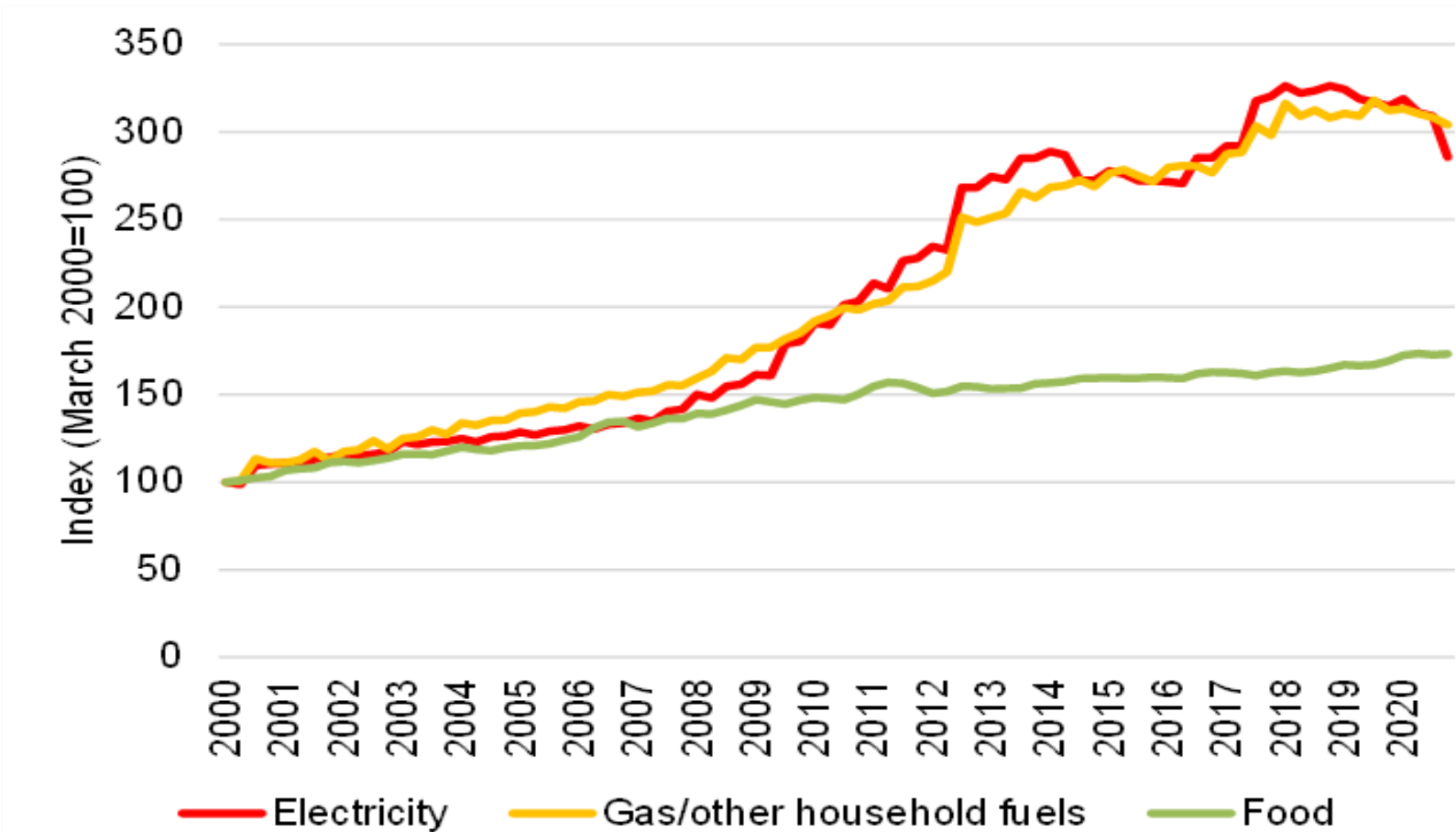
EP: *the inability to adequately meet basic household energy needs* (Hernández, 2016).

EP is linked to lower subjective wellbeing, poor self-assessed health, circulatory diseases, respiratory problems, poor mental health and mortality (Awaworyi Churchill et al., 2020; Awaworyi Churchill & Smyth, 2021; Llorca et al., 2020; Marmot Review Team, 2011; Thomson et al., 2017).

FI occurs when food is not sufficient, reliable, nutritious, safe, socially acceptable or sustainable (Temple, 2008).

FI is associated with worse self-reported general and mental health and lower consumption of healthy foods (Temple, 2008). More extreme, FI has been associated with malnutrition, leading to increased risk of diabetes, hypertension, anxiety, depression, mood disorders, nutritional deficiencies and weight loss or gain (McKay et al., 2019) as well as loss of quality of life and independent living in the elderly (Mercier et al., 2000).

Historical Indices



Data

HILDA waves 5 – 20 (2005 – 2020).

Sample of low income individuals identified as having equivalized disposable income (excluding housing costs) in the bottom 25% of the income distribution in a wave.

Annual household expenditure on energy (electricity bills, gas bills and other heating fuels) and food (groceries, excluding alcohol and meals eaten out).

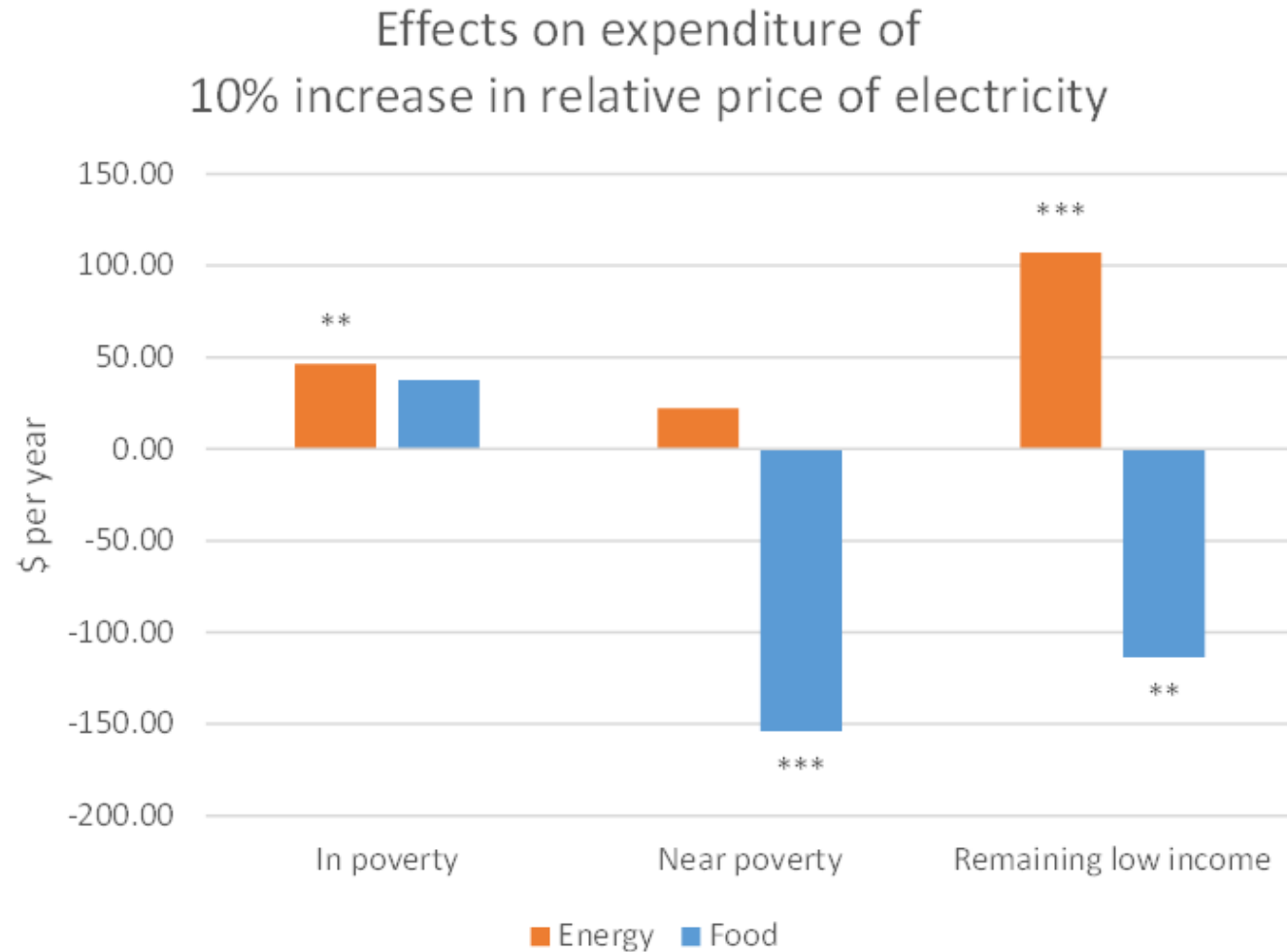
Subjective measures of energy poverty and food insecurity: going without heating and skipping meals due to a shortage of money (2001–2009 and 2011–2020).

Also include temperature shocks.

We ask: is there a tradeoff (and in what direction) associated with price increases (CPI)?

Findings

Panel A: Annual expenditure



Summary

The energy or food trade-off implies individuals prioritise energy over food.

Findings: We find for near poverty and low income groups there is overcompensation.

We find for those in poverty there is no significant trade-off. Suggesting they are already at the minimum expenditure for food.

Why?: Perhaps due to uncertainty about less frequent energy bills?

Caveat: Unobserved energy and food debt?

Solutions: Allow for more effective budgeting and policies to deal with extreme inflation for the most vulnerable who are already experiencing extreme energy poverty and food insecurity.

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Discussion and Question Time

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