

DOMESTIC BULK LPG ENQUIRY

CONSUMER RESEARCH INTO PERCEPTIONS AND EXPERIENCES OF LPG CUSTOMERS

Note by CC

The CC commissioned consumer research to explore users' perceptions and experiences of LPG. Prior to conducting any larger-scale research, the CC asked ORC International, an independent market research company, to conduct a small-scale qualitative study that used in-depth interviews with members of the general public who use LPG. These interviews covered different types of LPG user and were of a limited number of people. The aim of this research was to identify as broad a range of views as possible. Due to the nature and size of the sample, one cannot reliably assess how widely such views are held. The findings cannot be generalised to the whole of the LPG user population. It is being made available by the CC for general interest. That the CC is doing so should not be interpreted as implying that the CC is necessarily in agreement with any particular point in the report.

SMALL-SCALE QUALITATIVE SURVEY

Conducted for the Competition Commission by ORC International

December 2004

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1 Introduction

This report presents findings from the Domestic Bulk LPG qualitative research.

Background and research objectives

The Competition Commission commissioned ORC International to conduct a qualitative piece of research on their behalf. The research is part of an inquiry being undertaken by the Competition Commission investigating the market for the supply of domestic bulk LPG in the UK

The Competition Commission wish to understand consumer behaviour and attitudes with regard to LPG, particularly in terms of reasons for choice, attitudes towards switching and views about the service provided and safety. Specific objectives were as follows:

Objectives

- To find out why LPG is chosen as a fuel
- To find out about the reliability of the supply of LPG
- To find out about the quality of the service provided by LPG suppliers
- To find out if customers have any concerns about the safety of LPG
- To find out if there any reasons why customers do not switch to alternative LPG suppliers
- To find out if there any reasons why customers do not switch to alternative energy sources

Please note: This research is qualitative research and is not statistically representative. The findings described in this report reflect the views of the people we spoke to.

2 Methodology and Sample

A total of 41 respondents were interviewed between 22nd November and 10th December. A combination of individual depth interviews, paired depth interviews and mini groups (consisting of 3 or 4 people) were used to collect the information throughout the UK. Interviews were conducted in respondents' homes or in the case of mini groups, another respondent's home nearby. The sample is described in more detail next in terms of the numbers and types of interview conducted in each region.

In order to speak face to face with a wide range of customers, interviewers expended considerable effort interviewing in homes across the UK, many of which were situated in remote and rural areas. Most interviews were carried out face to face but 4 telephone interviews were conducted where face to face interviews were not possible.

Three mini groups were conducted in Northern Ireland, Scotland and the South East. Although it was planned that mini groups would be conducted in all regions, the nature of the location of LPG users in rural areas and a degree of reticence among customers to discuss their use of LPG in public caused some difficulties in recruiting a number of respondents within sufficiently close proximity to come together for a mini group in other areas.

Where mini groups were not possible paired depths were conducted. However, the view of the ORC researchers was that mini groups did not hold any specific advantage over the paired or individual interviews for this research.

Finally, 4 interviews were conducted by telephone. In the view of ORC researchers, these telephone interviews were an effective method of obtaining high quality responses due to the factual subject matter being discussed.

Respondents were spread across the following regions:

Scotland (AB region)

North (NE & DN region)

Midlands / South East (CV & RG region)

Wales (SA region)

Northern Ireland (BT region)

South West (EX region)

Sample was provided from the Competition Commission from LPG supplier records. Recruitment for interviews conducted by the Research Executives was carried out in the ORC Telephone Centre in London. Northern Ireland and Northern interviews were recruited by the interviewer directly.

Customers of a range of LPG suppliers were interviewed, including Calor Gas (just over half of those spoken to), BP (one in five spoken to), Flogas (one in five spoken to) and J Gas, Concoo and Shell (make up the remainder of the sample at less than one in ten spoken to). Three respondents had switched supplier, two by choice and for the third it was the decision of the estate owner to change supplier for the metered estate.

The majority of respondents were home owners (3 or 4 bedroom properties) with one LPG tank each. There was one case where a property was a second home. There was a mix of males and females (25 males and 16 females) with a spread of ages but most aged 40+. Please see tables below for a breakdown of the sample used.

Region	Total number of interviews conducted	Number of mini groups	Number of paired depth interviews	Number of individual depth interviews	Number of telephone interviews
Scotland	6	1 (with 4 people)		2	
North	9		2	7	
Midlands / South East	8	1 (with 3 people)		3	2
Wales	4			3	1
South West	6	-		5	1
Northern Ireland	8	1 (with 4 people)		4	

Figure 1: Regional Breakdown and types of interviews conducted

Supplier	Total number interviewed
BP	8
Calor	22
Flogas	8
J Gas	1
Concoo (as part of an estate park owner choice)	1
Shell	1

Figure 2: Supplier breakdown

Age of respondents*	Total number interviewed within age group
20-29	1
30-39	7
40-49	11
50-59	7
60-65	7
65+	8

Figure 3: Age of respondents

Household income	Total number interviewed within income bracket
Below £15 k per year	1
From £15k to £25k per year	10
From £25k to £50k per year	12
From £50k to under £100k per year	2
Unknown / Refused	16

Figure 4: Household income

3 General Findings

LPG supply is usually inherited with the property. Typically respondents have not changed fuel source or supplier since moving in and LPG will often have been considered to be the best or only option to them at that time.

Apart from price, customers are mostly content with the quality of the service they receive from their supplier in terms of delivery. Although some are less satisfied with the service they received from Head Office.

Most are very aware of the recent price increases put in place towards the end of this year. Although they may not readily know exactly how much they pay per litre, most have a rough estimate of the yearly cost of LPG.

Despite feeling prices are too high most do not see any alternative option. Many believe LPG prices are set by the oil companies, and in some cases controlled by government taxes.

Very few have actually switched LPG supplier and only a small number have made pricing enquires, either to their supplier or alternative suppliers.

There is an overall lack of knowledge of other LPG suppliers within the area and their prices.

Price is the key driver to switch or consider switching supplier or energy source.

The main barriers to switching to another LPG supplier or alternative source are the cost implications, lack of knowledge of the process and the inconvenience for what is potentially seen as little reward in cost savings.

There are little differences in the views between those with shared tanks and metered estates and those who hire their own individual tank.

Older users and pensioners are the most conscious about trying to keep their bills affordable and therefore limit themselves on the hours they have the heating on for. They are also the least likely to take any action to change the situation due to the upheaval and potential extra costs involved with changing supplier or energy source.

Those who are working, younger and better off are more likely to be discontented by the situation of being tied to one supplier and more likely to find out about and consider alternative options to LPG.

Overall concern for maintenance and safety is not high amongst LPG users and the tanks are mainly assumed to be in good condition.

There were few incidents of emergency call outs being required. For the few who required an emergency call out, they found call-outs were quick and usually within a day or two. Generally no extra charges were made for call outs.

Overall there is little variation between views and opinions between respondents in the UK and those in Northern Ireland.

4 Key findings – LPG Usage and Attitudes

4.1 LPG Usage

Most respondents use LPG for heating with radiators and sometimes a gas fire and hot water for their homes. Respondents have an electricity supply as well and this is often used for cooking too. A number in the North of the UK and Scotland tend to have a secondary source of heating for their property and this usually consists of a coal fire.

The majority of respondents have individual over ground tanks situated in their back gardens or ground around their properties. A small number have underground tanks and these tend to have been in place before the current owner took residency there. A small number have a shared tank system, this is the case for those on Caravan Parks and houses built as part of a metered estate.

Most have at least a rough idea of the capacity of the LPG tank attached to their property. This is often worked out by thinking back to their last delivery of gas and how many litres were added to produce a estimate of tank capacity. Capacity of individual tanks ranged from between 850 to 1900 litres. The average tank capacity tended to be around 1000 to 1200 litres. The age of the LPG tanks also varied considerably from 2.5 years to 17 years old, although the average tank age was around 10 years old.

Provision of information such as monthly and yearly costs of using LPG was not always easy to obtain although some were able to provide an approximate yearly cost, and these costs ranged from £700 to £1500 per annum. This yearly figure was easier to work out for those that pay a fixed amount each month.

4.2 Reasons for choosing LPG

Most respondents had inherited LPG with the property they moved in to and continued with the supplier already connected. The decision to use LPG tended to be considered the best thing to do at that time, although many did not have any previous experience of LPG and just presumed it similar to mains gas. Some had been unhappy with the oil supply they had used in a previous property. Also for many, at the time of moving into the new property LPG fuel prices were quite competitive compared to other fuel options and the upheaval of changing fuel not just the source but also the boiler and appliances was considered too much to do at the time. Those respondents who moved to an estate or park had no choice but to use LPG as there were shared tanks in place and the supplier already provided.

“I understand this was the first sort of estate of its type where they stipulate the heating source from the outset. A lot of people complained about it”

For a small number, changing fuel or supplier was something they planned to consider doing at a later date once they had moved into property but had often not got round to it. For some there was also an assumption that there was no possibility to change fuel or supplier as the tank belongs to the already connected supplier, and therefore they would be unable to change this. There was also a lack of knowledge of alternative LPG suppliers within the area to consider switching supplier.

Choosing LPG instead of alternative fuels available was an active choice for a minority once they had moved into the property. This was because they did not have any form of central heating in the property or because they had built the house themselves and considered it to be like mains gas. The decision to use LPG and a particular LPG supplier instead of other fuels such as oil or electricity tended to be based on previous experience, knowledge and recommendation and awareness or rather lack of awareness of alternative LPG suppliers within the area.

“I’ve had (mains) gas in my previous houses and I preferred it ...and felt gas would be better because I had always gone with that”

“We used to have a house abroad that was Calor gas and we liked it and I think that really swayed us”

“We demolished the existing house and built a new one so we actually made use of the existing gas tank to feed to the new house”

4.3 Supply & Delivery

Most respondents use the automatic top up system for delivery of LP gas whereby gas delivery is made based on supplier estimates of the individuals usage. The frequency of these gas top ups varies between three and six times a year and is also dependant on season with more frequent deliveries made in the winter months particularly in the North of the UK and Scotland. Those in very rural areas were less likely to get a top up until there was only 25% or less fuel remaining in the tank. This causes particular difficulties where customers were using variable amounts of gas.

Those using the automatic top up service are very much aware that if needed they can call up their LPG supplier and ask for another delivery in the interim period between automatic top ups.

Almost all are very trusting that the top up of fuel has been made to their tanks and do not regularly check the tank or gauge after delivery or compare how much the delivery docket says has been put into the tank to the tank gauge.

“I don’t check the tank after a delivery – I trust them, they just top up and my tank never gets empty”

Most respondents who use the top up system are content with this system as it does not inconvenience them. They do not need to be present when the delivery is made and they do not need to actively do anything for this process to go ahead and most importantly they do not run out of gas and therefore see it as a successful system.

Customers are not contacted prior to the gas delivery and often not present at the time of delivery. Where access to the tank is difficult the supplier may ring the customer in advance to arrange access. For all a delivery docket providing information about the amount of gas put into tank is left by the delivery driver and in some cases acknowledgment of a maintenance check is given on the delivery docket.

“They leave a little slip through the door to say that they have been and how many litres they have put in”

Some tanks have been fitted with a satellite sensor; sometimes known to customers as a 'think tank'. Customers believe this sensor will send information back to the supplier when the tank is getting low on fuel so that an automatic delivery can then be made. However, few sensors seem to have been activated resulting in customers having to call the supplier themselves when they are low on gas. It seems to be the case that Head Office is not aware that the sensors have been placed on the tank and that they need to be activated.

Most customers say that the fuel top up is based on calculations by the supplier of previous consumption and the season and then delivery is made accordingly. Some believe delivery is made when the delivery driver is in the area and a small number believe they receive regular routine visits for top ups. Delivery varies by area with the more rural areas receiving less frequent deliveries.

"I'm called upon regularly, say every three months, and I never need to phone. The chap just comes and tops up the tank and that's it"

"I think they come every two months to mine in the winter and just top it up to whatever they think and then just put the thing through the door"

Some respondents prefer to call their supplier when their tank is low on gas before ordering a delivery and monitor their tank gauge for the level of fuel remaining. This is because some do not trust Head Office to correctly calculate how much will be needed or to know when more or less fuel may be required (have a variable demand). Some feel they have more control of their bills and LPG expenditure by placing the order themselves.

"I keep a note of the gauge. When the gauge usually gets to about a quarter I phone them and ask for a delivery"

Few had ever been in the situation where they have run out of gas. For the few that have this tends to be those who phone up to request delivery rather than those who use the automatic top up system.

Running out of gas is not a regular occurrence and more often than not a one off situation. It tends to happen in new properties where consumption is not yet known or when the demand for gas is variable. Customers who have run out tend not to hold the supplier responsible for this as often it was the respondent who forgot to call the supplier to place a delivery order or did not know how much they would be likely to be using during a certain period. Although there have been a small number of cases where respondents blame Head Office inefficiencies and miscalculations for running out of gas

"They never miss a delivery and I've never run out in 13 years"

“I mean I think there have been occasions where it’s been very close possibly over the winter where there’s been a heavy usage of fuel but that’s not their fault. That’s because I’ve had the heating on a lot”

“Which is actually one of my complaints ...because they insist on saying you mustn’t order until your tank is down to thirty percent. I say how can you possibly know how many people are in the house and whether I am turning the heating on or not”

There have been a few occasions where customers have been low on the amount of gas left in their tanks but a phone call to the supplier ensured a prompt delivery was made. Supplier response to such situations and when customers have completely run out of gas is considered to be quick and usually delivery has been made within two days and in most cases less time than this. However, there were a few customers in very rural areas where delivery was not made so quickly.

In all but one case no extra charge was made for emergency delivery where a customer ran out of gas on Christmas Day and was quoted that it would cost £40 for a delivery that day. *“Ran out on Christmas day, as house was new and the consumption was still unknown we called up but there was an additional £40 for a delivery on that day”*

4.4 Maintenance

Respondent awareness of when maintenance checks are conducted or when they should be conducted varies from checks every delivery, with the check being made by the delivery driver, to once every 5 to 10 years. Some are not even aware if they have ever had any maintenance checks made to their tanks or whether they should have done. Some are aware that routine replacement of perishable parts and cleaning of their tanks has been conducted. There is also some confusion as to what the maintenance checks consists of and what they are getting for the money that they pay for this as part of the standing charge.

“I don’t believe they do any maintenance, every time you get a delivery of gas on the slip there is a little box that they tick to say they have carried out a safety check. I can do that by walking past the tank and seeing if there is any smell of gas, I don’t need to pay pennies a day for that”

Maintenance checks are often conducted when the customer is not present and without prior warning to the customer. Once a maintenance check has been carried out a docket is left providing details of the check and details of all part replacements or that work that was needed has been carried out. No extra charges have been made for the maintenance checks or replacement of parts.

“They just clean it, they just hose it down which we can do anyway then they just clean the gauges and check them, that is all”

“As far as I know they come and check the tank on a regular basis, that’s part of the contract”

Overall concern for maintenance or safety issues is not high and tanks are assumed to be in good condition and without problems. Maintenance and any associated problems or accidents that may occur including damage to their own or neighbours properties is assumed to be the responsibility of the supplier. There was some mention of delivery drivers leaving notes on the delivery dockets requesting the customer cuts back shrubbery etc around the tank to ensure it is easily accessible.

“Occasionally I get a message from the delivery driver saying cut back the shrub in front of it but that is about it”

4.5 Tank Ownership

Most are aware that the tank and the tank fittings are supplier specific and therefore the whole tank system would need to be changed if they change supplier and this would have cost implications, as well as causing disruption to the garden. It is considered that standardisation of the tanks and tank systems would aid customers to choose and change suppliers as often as they wished.

Most said they would not want to own the tank themselves due to the associated costs and responsibilities of doing so. In particular, having to buy insurance for the tank and paying for the tank to be maintained. Also the costs of purchasing the tank were prohibitive. If there were any emergencies or leaks, or new parts needed or any damage caused to the house or neighbours property this would then be their responsibility.

“You would have to work out if it was going to cost us more to insure the tank or to rent it, then we would have to equate that against how much we are going to save by going to other firms”

“I didn’t even realise until earlier this year when I found out about the price of oil and I said about the tank and they said you can buy them if you like, there is nothing to stop you. That was the first time anybody had told me I could buy the tank. But there is pro’s and con’s”

A small number thought they would like to own their own tank as this would then enable them to choose the LPG supplier they wished and allow them to find the best deal and cheaper gas. Also to then be able to switch and change supplier as they wished, much like can be done with petrol for cars now. A few suggested that if the tank was owned by a third party company this would still be advantageous to them as the responsibility for the tank would be removed and they could still choose which supplier they bought the gas from and could change supplier as they pleased.

“It would be handy if the tank belonged to the house and you could buy your gas from whichever supplier you liked”

“If there was more set out about prices and also as I say the tank belonged to you, you could choose your supplier, every time you decide to fill it up. That would be very good”

“Even if the tank were owned by a separate company it would be an advantage”

4.6 Quality of Service

The quality of service provided by LPG suppliers is judged on two elements: The first is that of the delivery and maintenance service provided and the second that of the dealings with Head Office.

Quality and satisfaction of delivery and maintenance is based on the reliability of the gas supply, ease of the delivery and ordering system speed of response for delivery when requested, and for emergencies and tank problems. Overall having few problems with the tanks or the gas supply also contributed to most customers saying they were satisfied with this element of the service.

“Yes, absolutely no trouble at all we don’t even know he has been there most times, he just leaves a slip through the letterbox and what do you know there is another tank full of gas”

Dealings with Head Office are less satisfactory, mainly in terms of pricing and billing processes. This element is less favoured by some due to price increases, billing concerns, inefficiency, information provision and willingness to negotiate price. Respondents say when they contact the supplier directly they speak to someone in the supplier’s call centre who does not have the authority to help resolve their issue or concern and this causes frustration.

“They have phoned me up a couple of times and say how do you feel that your use of gas is going do you feel that you need more deliveries or top ups...which I think is another enhancement to their service”

“I think it is a good service and when you phone them up they’re efficient and polite”

“I think the service is completely ghastly”

“I think that the service they offer is excellent in the delivered...and I’ve never had to phone them for anything else and I’m very happy with that”

4.6 Awareness of contracts

There are a number of respondents who are unaware of whether they actually have or ever had a contract with their current LPG provider. There is a general lack of concern about this and some feel that a contract is not necessary. There is also some confusion as to what the contract is and it is often confused with signing for a standing order or Direct Debit that was set up for payment in the early stages of the supply arrangement.

Although many respondents could easily access their bills and letters they had received from their LPG supplier and often keep these altogether in a file, they could not easily find the contract itself.

Once the contracts are set up customers are not aware of the contracts being updated at any point. When taking over supply from a previous owner of the property it is often left to the new occupant to contact the LPG supplier to change the billing details.

Specific knowledge about contracts and the particular details of the contract is limited and therefore knowledge about both the customers and suppliers obligations and stance for termination of the contract, associated costs and notice periods are vague. Assumed notice period for termination ranges from not knowing at all to 0 to 3 months.

“The contract says that we will pay for the rental of the tank, they will insure it and they will maintain and upkeep it”

“We signed a contract to say that we were taking their tank and having their gas but it is not binding that we can’t just discontinue it”

“I don’t think I read the terms and conditions at all but I’m fairly sure that there’s never been a problem with them”

There was some call from respondents for more information to be provided by the suppliers about termination of supply and switching suppliers. Requested information includes the customers and the supplier’s obligations, how to go about termination or switching and any costs that may be gained through this process.

“I suppose it would have been good to know about the exact nature of this contract on the tank and what would happen if we did switch suppliers”

4.8 Safety Issues

There were few incidents of emergency call outs being required. Incidents where emergency call outs were necessary included; when gas was smelled at some point or smelled after a refill or due to accidental damage to pipes under the ground outside after conducting some building work to the property.

Most considered that the response to these call outs was quick, usually within a day or two. In some cases there was mention of the call centre providing advice in the meantime before help arrived such as turning off the gas supply to the property. Once the call out had been made the problem was quickly resolved and there were no instances of re-occurring problems as a cause of this. Generally no extra charges were made for call outs. However, there was an instance where a customer was told if the call out was made and there was not a problem then they would be charged.

“Smelled gas after a re-fill and phoned supplier who came back and emptied tanks and the response was same day”

“Was told to turn off gas and that someone would be out shortly. When the man came out it was fixed there and then, there was no extra charge for this”

“Called normal number not emergency line – builder cut through cable – told to turn off gas, maintenance person came out later that day found leak, isolated and dealt with it, I have had no problems since”

5 Key Findings – Pricing

5.1 Cost of LPG

Respondents do not always know what the current price of LPG per litre is, and some are only able to provide a rough estimate of pence per litre. Prices given varied from 19 to 33 pence per litre and most were aware that there had been a price increase per litre of gas at the end of October, beginning of November this year. This increase was said to be around 2.5 to 3 pence per litre, but in some cases it was reported as high as 4 pence per litre.

Most respondents are on a fixed price plan and pay the same amount to their supplier each month. Varying amounts were charged on the fixed price plan from £25 to £115 a month. This method seemed to be preferred by respondents so they knew where they stood and budgeting could be done accordingly. Others pay the bill once the invoice is received a week after the gas delivery has been made and they are happy with this system.

“I actually think of it more as a monthly amount now because I am now paying by Direct Debit recently”

Price increases to LP Gas are seen as a common occurrence, with most saying there have been up to three increases within the last year alone. Customers are given notification of each increase by letter. Notification wording tends to imply that the increases are necessary for the industry as a whole and that the increases should be short lived and prices reduced as soon as possible. Reasons given for price changes vary, but the latest increase for all was said to be due to the problems in Iraq and rising wholesale energy costs. Customers are also aware of the price changes of fuel and oil from the media in particular news on the television and in the newspapers.

“The trouble is it is not even worth getting a letter about putting prices up because you have got to have it”

“They sent us a letter and just said they were monitoring the situation and if the price of oil goes down the cost will go down”

There have been few instances of any price decreases of LPG. These price decreases are usually minimal around 1 pence per litre or so and said to never go back to the same levels as before the last price increase. Where price decreases have been made respondents have been notified by letter. Price decreases are also said to be short lived.

'To begin with it was pretty reasonable but it's just gone up and up and they did say if the price of oil came down they would bring the prices down but ours has never come down'

Respondents are concerned with the price increases and are anxious about what they will do if the price of LPG continues to rise each year at the rates it has been at present. Although many believe there is some justification to the increases, they also believe that the price of LPG fluctuates both up and down and compare LPG prices to that of petrol prices rising and falling and would like to see such price decreases reflected in LPG. The quotes that follow seem to suggest that the perception among several respondents was that, when prices rise for their supplier, other suppliers' prices will have also risen similarly.

"I think it is exorbitant, it is far higher than it needs to be, it's a monopoly and we can't do anything about it"

'I mean the only thing you maybe would do was cut down a bit on burning it, I mean you can't argue with the price because they'll not reduce it so you either accept that you pay that price and maybe use less or what other alternatives have you?'

'I think it's a general thing throughout the country that, well, I 'm hoping that it isn't just individual firms that put that out, I think it will be from the government. They confirm the prices they set I think and that's what I'm hoping'

5.2 Standing Charges

The standing charge is not always known about or fully understood by those customers spoken to. A small number are not even aware if they pay such a charge and others do not really understand what it is for or do not know if it a charge for the tank rental or maintenance or both. For those who pay a fixed amount each month for their gas the standing charge tends to be included in their monthly rate.

Most of those who are aware of the standing charge have an idea as to its cost, although for some this was only known by looking at their bills. There was a considerable degree of price variation between standing charges ranging from £4 to £15.88 per quarter. Most knew that the standing charge is worked out as a daily rate and that changed seasonally depending on how often the tank was filled. There was some resentment at paying the standing charge, particularly if they were not clear on what they were paying this charge for.

"We are billed per litre plus a maintenance charge which is worked out per day"

"I have a standing charge, don't ask me for what"

“If you don’t have the tank filled up for say more than two months the rental charge is quite large, whereas in the winter when its topped up every 4/5 weeks the charge is much less ... it works and I just accept it”

“I don’t think you should have to pay a rental charge. Because you are using their product all the time, you’re at their mercy as to what price you’re paying per litre”

5.3 Attitudes and Perceptions of Price

The main attitude regarding the price of LPG is one of resigned acceptance. It is often thought that the prices are set by the oil companies and in some cases by the government in terms of the percentage of tax placed on the fuel. Therefore there is an underlying assumption that there is no option available to customers to negotiate price with their supplier and no benefit in switching suppliers (where other suppliers are known about) as all LPG suppliers would charge a similar price for the fuel. These beliefs also mean that often customers have not contacted their supplier directly to discuss price or negotiate a reduction in the price of the fuel nor contemplated a change of supplier.

“It all comes from one source and I should think they are paying the same price”

“I just get the impression that the price isn’t going to be wildly different”

“To be honest we’ve not actually compared it with anybody because it would be difficult to change suppliers because the tank is actually sunk into the ground and we’d have to have all the lawn dug up. So we’ve not ever looked around for the simple reason that it would be an awful lot of hassle”

A minority though have been more active in trying to get a reduction in the price for the fuel. Some have tried to negotiate the price with their current supplier, some with more success than others. A number have been able to negotiate price to a degree and others able to get the latest price per litre increase removed, but this may be valid for only a limited period. Whereas others have been told there is no leeway and the price per litre is fixed for that supplier.

“Usually you can phone up and negotiate a bit”

Within this 'active' minority some have carried out some research of their own to investigate prices of alternative LPG suppliers within their area. Cheaper prices have sometimes been offered compared to their current supplier but again sometimes this offer was only valid for a limited period of usually 6 months. Other respondents have rung round other suppliers have then gone back to their current supplier and stated a lower price they have found LPG for and asked if this can be price matched. This price match has sometimes been possible and others have negotiated a decrease in price with their current supplier although not to the level of the competitor's rates and again can be short lived.

"I don't think they maybe quite matched it (the price) but they dropped it by a significant amount"

A small number of customers spoken to had looked into using alternative fuels i.e. oil or electricity to allow them to move away from using LPG either in part or completely. Others were trying to cut down their usage of LPG by turning the Aga cooker off, installing an electric shower or only having the heating on for a limited time per day in a bid to reduce their LPG bills.

6 Key Findings – Attitudes to Switching

6.1 Reasons for Switching

Very few spoken to had actually switched supplier although a small number had considered it and / or looked into switching supplier. The key driver to switch or consider switching LPG supplier is to obtain a cheaper price for the fuel. The delivery of the gas and quality of the service received from Head Office is also an issue which drives customers to consider switching.

“The price went through the roof, then there was a price war on and we got it for about 19.5 pence per litre so that is why we changed”

“There were a number of price increases which didn’t seem to be reflected in the base price of gas and oil and ...we were always getting very low to the bottom of the tank before it was refilled”

A change of supplier had sometimes been foisted onto some respondents when one supplier had bought out another and the customer was given no choice in accepting this change.

6.2 Other LPG Supplier Contact

There is a distinct lack of awareness of other potential LPG suppliers within the surrounding area. It was felt that the responsibility to find out about other suppliers and prices was left to the customer and that information such as alternative LPG suppliers in the areas should be more readily available, as it is for other fuel providers such as electricity or mains gas.

“We had to do the canvassing basically, looking for who’s got the best prices against the best deal and who will hold their prices for the longest time”

“To be quite honest it had never crossed my mind that there was an alternative. I assumed that the previous owners,...would have investigated and found the best supplier and it never occurred to me to actually look further because I didn’t know there were any other suppliers in the area”

Respondents had not been approached by other suppliers or delivery drivers of competitor’s suppliers. LPG users are not an easy target for direct marketing by rival suppliers as it is hard to find out who has an LPG tanks. Often a tank cannot be seen from the front of the house since it will be situated at the back of the property.

6.3 Barriers to Switching LPG Supplier

As already mentioned the main viewpoint is that prices are set or are at least very similar between suppliers and therefore switching LPG supplier would make little difference to the customer's LPG bills.

Respondents tend to be aware that there are likely to be costs involved with switching supplier. It is generally understood that the LPG tank belongs to the supplier and that tank fittings are supplier specific and the tank would need to be removed by the supplier and another tank system inserted by the new supplier. Also that any gas left in the original tank and already paid for would need to be removed and taken away. Costs assumed for this process range from £30 - £2500.

'It is not easy to change suppliers and you have to give a period of notice, you then have to pay for the removal of the old tank and the installation of the new tank so there is an initiation charge there'

There is some concern about how worthwhile the switching process will be in terms of both long and short term benefits. The main concern being how much of a cost saving from switching would actually be made compared to the level of disruption with switching and although the cost per litre of LPG may be cheaper the standing charge could be higher or price per litre could increase within a few months of the switch to higher than that of the original supplier.

There is also some uncertainty about the process as a whole and how customers would go about switching, if indeed they can switch, what alternative suppliers there may be, the customer's obligations, termination periods, the possible costs associated with switching and a general lack of time to organise this process is also off putting to respondents.

"You can't actually change companies because when we put the gas in we had to pay for the tank as well as the standing charge,...in order to change supplier I would need to get them to empty that tank and then get another company to fill it up. It's incredibly complicated so in actual fact you are tied to the one company"

"It's one of those things you never seem to quite get round to"

"I was under the impression we didn't have any options on that because they own the tank, it's not our tank and will never be our tank, it always remains the property of the supplier"

"We would like to switch definitely. In actual fact I didn't know there were other companies that did LPG"

“With the gas then you have to use their tank and you can only buy from one supplier and I think that is a restriction, it is certainly concrete to competition”

“I don’t think there is another supplier for the bulk gas, not that I am aware of, I have tried”

6.4 Switching to Alternative Energy Sources

In terms of potentially switching to alternative energy sources, respondents often feel there are no other options or realistic alternatives available to them. To switch to mains gas, invariably the preferred option, however is not always a possibility due to location or as implementation costs are too high. Oil was often not considered a better alternative due to costs of implementation and previous experience or knowledge and it may be necessary to change the boiler and appliances together with the associated costs of LPG tank removal. Electricity could be an option for some except the costs involved and upheaval of purchasing storage heaters, changing the boiler etc deters many.

“They need a certain number of people to agree to go on mains gas and it’s £1000 per household”

“I mean if we had plenty of money and could really afford to bring natural gas from the bottom of the road up here, well, we would do it”

“The boiler is only compatible with liquid gas because all the settings and all the burning points that it has are wrong for natural gas”

“If it wasn’t going to be considerably cheaper then I don’t think I’d bother. The hassle is just too great and there’s enough hassles in life without having to do that”

“We could get the boiler changed to oil but again you’re talking maybe £1-2000 and then another £1000 for the oil tank, that’s an awful lot of money involved in trying to change”

“Putting in oil means changing the Aga, can’t be converted and the cost of the oil was so huge even saving on heating bills in my lifetime I wouldn’t be able to pay it back”

There is also an inability for customers to compare costs of alternative fuels, as they don’t necessarily know how to equate prices across fuel types. Although some may know price per litre of gas and oil they can not equate this to therms etc for electricity.

7 Summary and Conclusions

There is a general feeling of resignation amongst respondents about LPG and the associated costs. Most are accepting of the price increases although not necessarily happy about them but have not actively considered switching supplier or energy source as yet. However, there is a small group of people who are discontented by the situation they find themselves in and the inability to easily change supplier or energy source without great cost and upheaval.

Customers have a lack of awareness, understanding and knowledge in particular with regard to: Prices and price settings, Contractual obligations, Other potential suppliers and alternatives. There is some call for more accessible information for consumers concerning; termination of contracts, switching supplier and pricing of LPG.

Few would want to own their own tank due to the responsibility and potential costs involved. An independent third party ownership of the tanks may be a possibility. A standardisation of tanks and tank parts would also help breakdown some of the barriers to switching supplier.

There is overall satisfaction with the service provided by LPG suppliers in terms of quality of the product, delivery, maintenance and notification of price changes. Although satisfaction with Head Office communication varies between suppliers.

Whilst conducting the interviews this prompted many respondents to think further about their LPG supply and consider researching potential alternative suppliers or try to negotiate a cheaper price with their current supplier. Also respondents made comparisons with other service providers for example electricity supply or a telephone line, where respondents would research the various suppliers available to find the best deal before purchasing and they realised this had not been the case when selecting LPG.

From this study three broad segments of customers have been identified. The first is those who are unaware they could switch supplier and / or unaware of any other potential suppliers within the area. The second segment are resigned to using LPG and quite philosophical and believe changing LPG supplier or energy source will not provide them with any benefit in the long run. However, the final segment, although resigned to using LPG, are dissatisfied by the situation they are in. This segment includes those that have taken action, by contacting their supplier and possibly other suppliers to try to negotiate a price for LPG.