

## **Key trends in fixed and mobile telephony, and Internet**

Residential consumers

August 2002

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# Chapter 1

## Introduction

1.1 This report provides the key trends of consumer behaviour in the fixed and mobile telecoms market and the Internet.

**1.2 The sample and methodology were changed last quarter. It is important to understand these changes and the effect this has on the results. Please see Annex 1 for further details.**

1.3 This report covers:

### Fixed

- penetration;
- suppliers used;
- spend;
- satisfaction.

### Mobile

- penetration;
- package used;
- spend;
- satisfaction.

### Internet

- penetration;
  - package and connection method;
  - satisfaction.
-

## Chapter 2

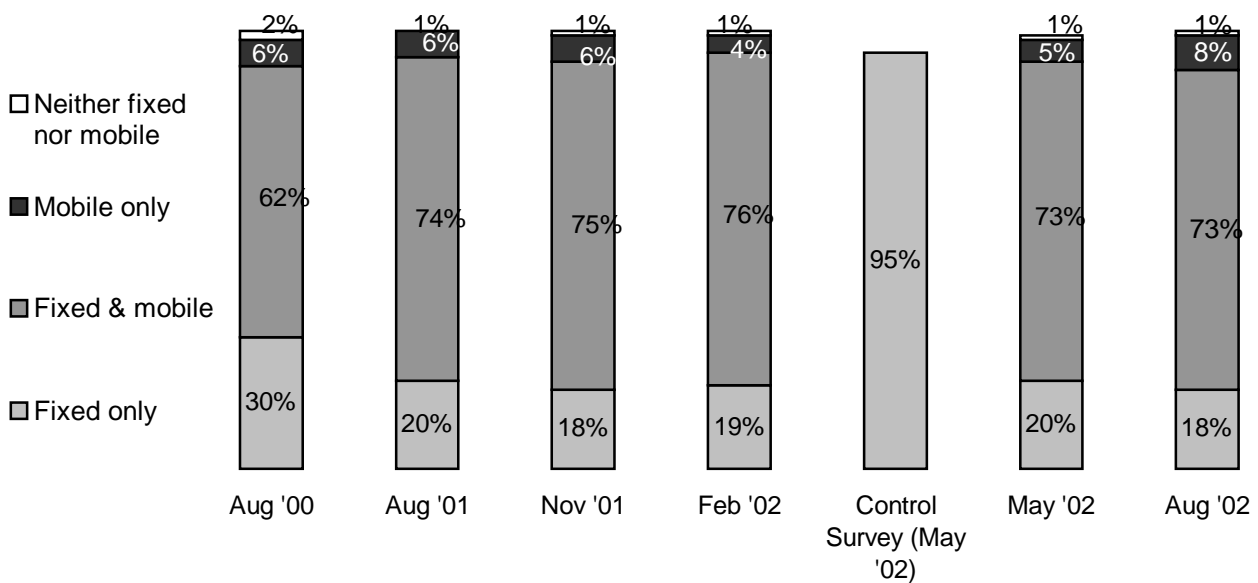
### Fixed line market

#### Penetration

2.1 Since the apparent rise in fixed penetration during the last 6 months – August experienced a significant drop to 91%. Primarily this has been caused by younger and lower income groups, reverting from fixed ownership to mobile only usage. The greater representation of lower income groups and areas of higher deprivation in the survey will affect fixed penetration as these groups have a greater propensity to debt and suffer disconnection.

**Figure 2a: Penetration of fixed and mobile telephony in UK homes**

Base: UK homes, Aug '02 (Base: 2312, 1% 'don't knows' have been excluded)



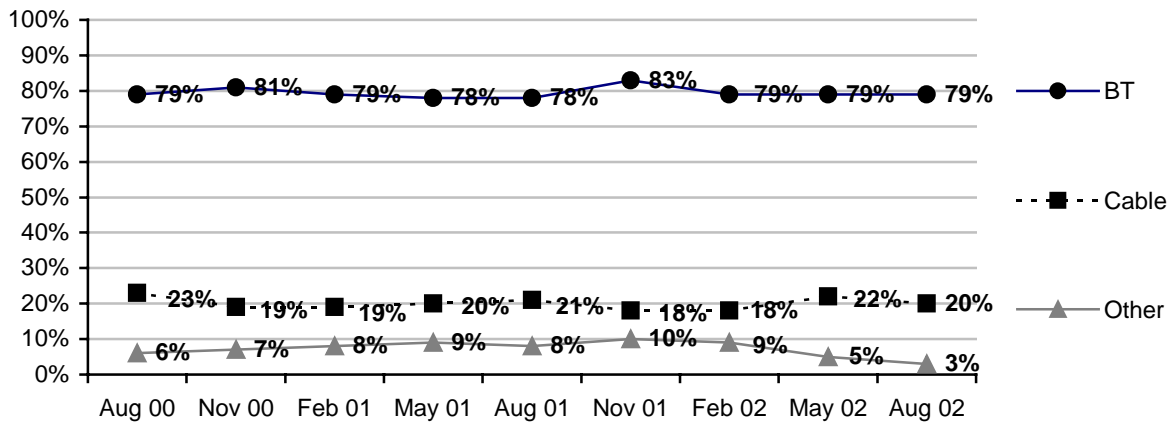
**Note** - rounding of the data results in occasional months showing totals of more or less than 100%

#### Suppliers used

2.2 Supplier usage has remained broadly unchanged over the last couple of years, as shown in figure 2b. The proportion of customers using BT has remained at 79% and the proportion using cable suppliers has remained at around 20%. The only small variation tends to be in use of 'other' suppliers, mostly indirect access operators, which some customers use on an infrequent basis eg when they need to make international calls etc, rather than for all their calls.

### Figure 2b: Residential supplier usage

Base: UK residential fixed phone customers aged 15+, Aug '02 (Base: 2125, 1% 'don't knows' have been excluded)



### Average spend on fixed telecoms services

2.3 UK consumers spend on average £75 on fixed home phones per quarter. The average spend has remained broadly similar in recent quarters.

### Figure 2c: Average quarterly fixed telecoms spend, including rental, calls, metered Internet usage and VAT

Base: UK residential fixed phone customers aged 15+, Aug '02 (Base: 2125, 'don't knows' have been excluded)



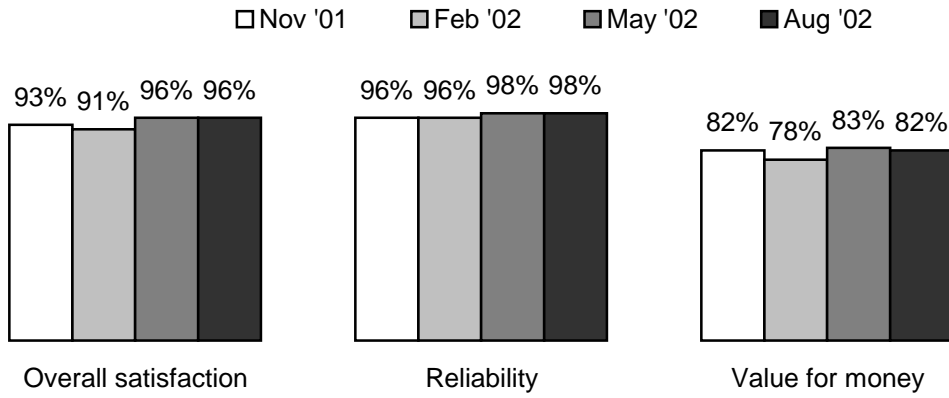
2.4 Fixed spend increases with household income, household size and use of additional services such as the Internet.

### Satisfaction

2.5 The rise in overall satisfaction reported in May has been sustained and stands at 96%. Overall value for money remains the least satisfactory aspect.

**Figure 2d: Satisfaction with home fixed phone service**

Base: UK residential fixed phone customers, Aug '02 (Base: 2125, 'don't knows' have been excluded)



## Chapter 3

### Mobile market

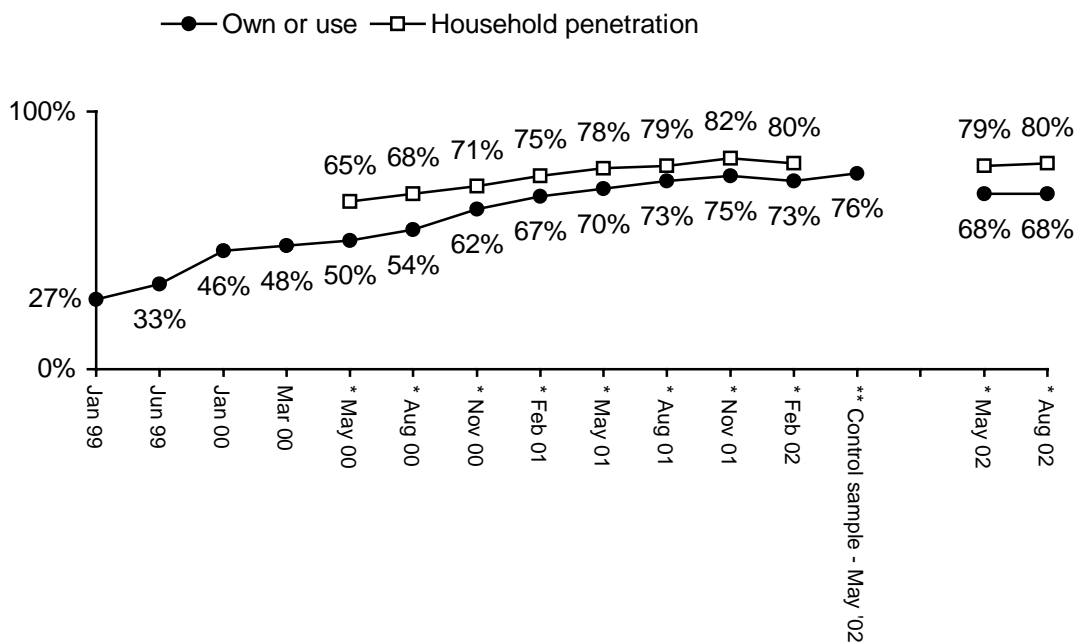
#### Growth and penetration

3.1 Mobile ownership amongst UK adults has remained relatively unchanged over the last year and stands at 68%.

3.2 Currently, there are 8 in 10 UK homes (80%) with at least one mobile phone, this has remained broadly similar in recent quarters.

**Figure 3a: Mobile growth - % UK\* adults and households who have a mobile phone**

Base: UK adults, August '02 (Base: 2312)



\* **Note** - Figures up to March 2000 are based on GB population and are taken from MORIs Technology Tracker. Figures from May 2000 onwards include Northern Ireland and therefore represent the UK adult population. Sampling method changed in May '02 – see annex 1 for further details.

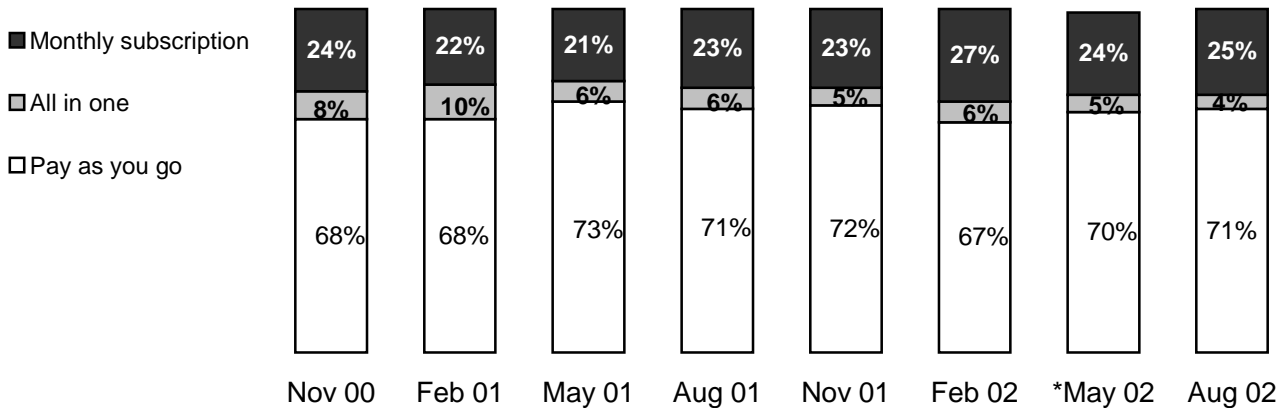
\*\* figure using previous sample to indicate continuous trend

## Packages used

3.3 Prepaid packages remain most popular, preferred by 71% of UK mobile users. This is consistent with last quarter's findings.<sup>1</sup>

### Figure 3b: Profile of mobile package usage

Base: UK mobile customers aged 15+ Aug '02 (Base: 1517, 2% 'don't know/other' have been excluded)



\*Note that sample and method changed in May 2002 – see Annex 1

## Spend

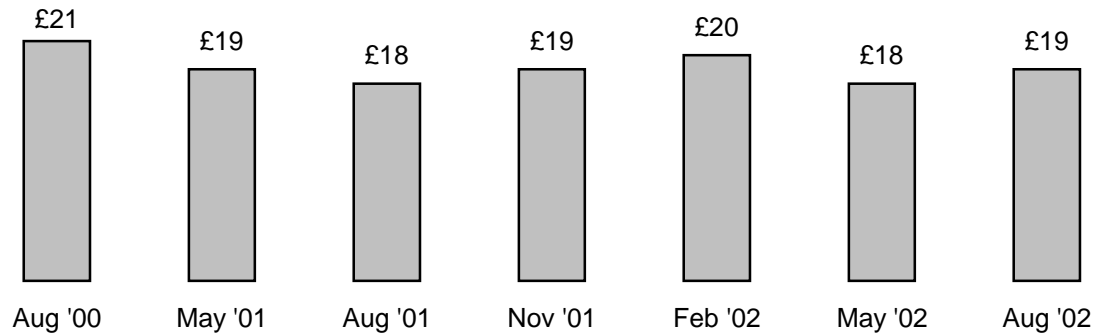
3.4 Mobile owners spend on average £19 per month on their mobile bill. There has been little change in recent quarters. Men, 15-34 year olds, monthly subscription package users and higher income households remain higher spending mobile customers.

<sup>1</sup> The apparent increase on previous quarters in May '02 is due to the more accurate representation of less affluent areas where pre-paid packages are more likely to be used by mobile owners.

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**Figure 3c: Average monthly mobile bill including line rental and text messaging**

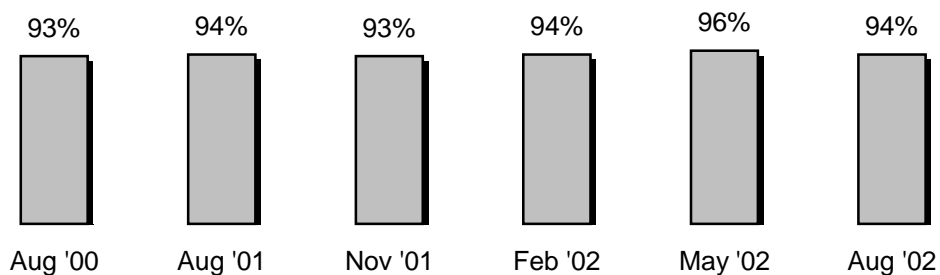
Base: UK mobile users, Aug '02 (Base: 1517)

**Satisfaction**

3.5 There has been a small, but significant fall in satisfaction with overall mobile phone service (94%). This could be partly attributed to small (though not significant) drops in satisfaction with value for money. Some operators made changes to tariff structures which may have resulted in higher prices for some infrequent pre-pay users.

**Figure 3d: % of UK mobile customers satisfied with overall mobile phone service**

Base: UK mobile customers Aug '02 (Base: 1517, 1% 'don't knows' have been excluded)



## Chapter 4

### Internet market

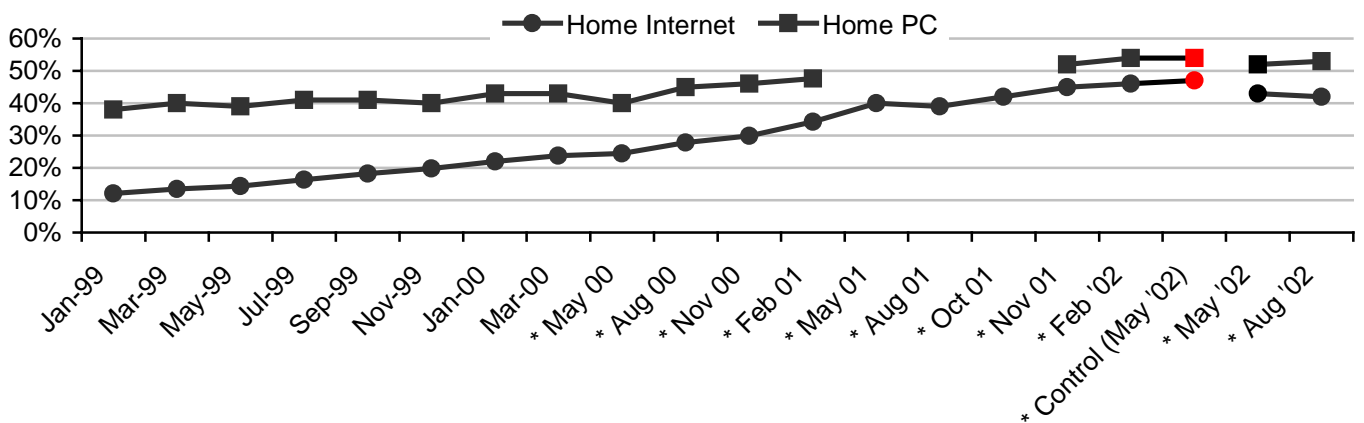
#### Penetration

4.1 Currently 42% of UK homes have Internet access. Following slowed growth in home Internet penetration it appears to have reached a plateau, at least temporarily. Similarly this was experienced during the same period last year, as shown in figure 4a – possibly indicating a seasonal pattern.

4.2 PC ownership currently stands at 53% - no change from last quarter.

#### **Figure 4a: % UK homes with Internet access**

Base: \*UK homes, Aug '02 (Base: 2312)



\* **Note** – Figures up to March 2000 are based on GB population and are taken from MORI's Technology Tracker. Figures from May 2000 onwards include Northern Ireland and therefore represent the UK adult population.

#### Packages and connection methods

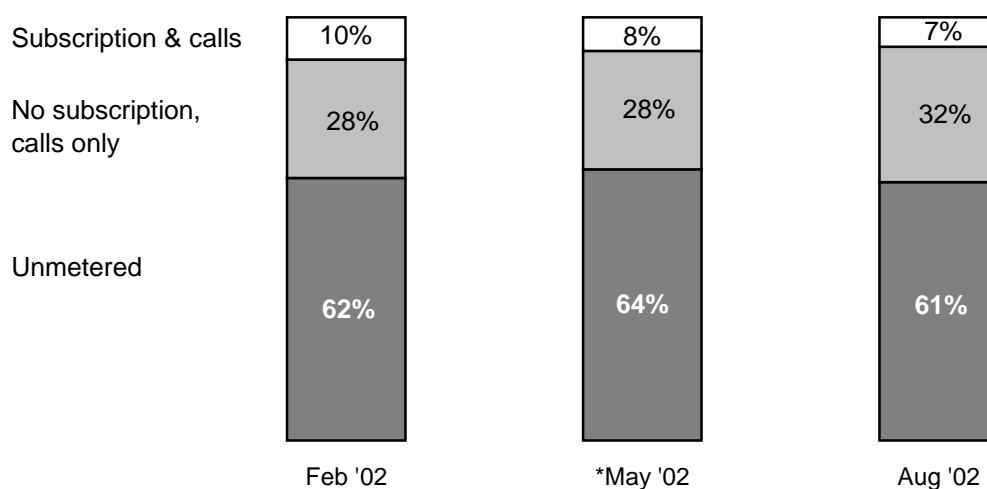
4.3 61% of UK homes with Internet access use either a fully or partially unmetered package. Due to revised question phrasing to reduce confusion amongst consumers over the definition of Internet packages (revised questions have been running since February '02), we will no longer report partially and fully unmetered use separately from each other from this wave onwards. For more details on this change see annex 2.

4.4 A third (32%) of Internet homes use a pay-as-you-go, calls only package and the remaining 7% continue to pay a subscription as well as all calls whilst online. Subscription and calls packages are generally aimed at businesses, hence the low usage amongst residential consumers in comparison to other Internet packages.

4.5 Use of the different packages has remained fairly stable over recent months.

**Figure 4b: Main type of Internet package used at home**

Base: UK homes with Internet access, Aug '02 (Base: 947, 22% 'don't know/none of these' have been excluded)



\* survey sample changed in May '02, these results were largely unaffected

4.6 The PC or laptop remains the most popular method of connecting to the Internet (96%).

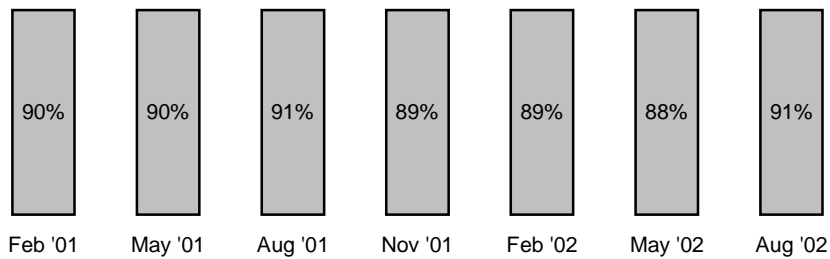
4.7 Use of ordinary phone line/dial up has fallen significantly – currently used by 84% of homes with Internet access compared to 89% in May '02.

4.8 According to recent subscriber figures 7% of consumers with Internet access use a broadband connection such as ADSL / cable modem / or other high speed access.

### Satisfaction

4.9 Satisfaction levels remain stable with 91% of Internet users claiming to be satisfied with their overall service at home.

**Figure 4c: Customer satisfaction with overall Internet service at home**  
Base: UK homes with Internet access, Aug '02 (Base: 947, 'don't knows' have been excluded)



4.10 Speed of accessing the Internet (71%) is less satisfactory than the quality and reliability of the service (86%) or overall satisfaction (91%) amongst residential consumers with home Internet service. This is consistent with last quarter's findings.

4.11 All current reports, produced in August 2002, for fixed line, mobile and Internet markets are available on the Internet along with all reports from previous quarters. [www.oftel.gov.uk/consumer/research/index.htm](http://www.oftel.gov.uk/consumer/research/index.htm)

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## Annex 1

### **Details of changes to Oftel's quarterly residential survey, May 2002**

In April 2002, Oftel changed the market research agency we use to conduct the fieldwork for our UK quarterly residential surveys. At the same time we took the opportunity to refine the sample and methodology used to conduct these surveys.

The changes are as follows:

#### Methodology

Our surveys were previously carried on a national in home, face-to-face, CAPI omnibus survey. They are now conducted as a stand-alone Oftel survey (i.e. not on a shared omnibus), conducted on paper rather than CAPI, and remain in home and face-to-face.

The advantages of this new methodology include:

- giving us more flexibility in terms of who and where we interview (see below for further details);
- shorter interview for respondents (reducing potential respondent fatigue) as it is now a stand-alone Oftel survey, and is not combined with a variety of other topics on an omnibus survey; and
- enabling respondents to focus on telecoms issues specifically (and hence provide potentially better quality answers) rather than thinking about the variety of diverse topics that can appear on an omnibus

#### Sample

The sample remains a representative sample of UK adults aged 15+, representative in terms of age, gender, social grade, working status, and region.

The changes include:

- Greater representation of rural and deprived areas (due to the limitations of an omnibus in reaching some of these areas); and
- Controls are now set on the proportion of interviews conducted in cabled and non-cabled areas to ensure they are included in their natural proportions. Since the omnibus is not telecoms-specific, cabled status was left to fall out naturally, and no quotas were set on the number of interviews in cabled vs non-cabled areas.

These refinements enable us to control or investigate in greater detail issues that are particularly likely to influence telecoms usage. The implications of these changes are that some of the results will be affected. To understand what changes are due to these sample and methodology changes, and what changes are real changes in the market, the key tracking questions were repeated on the omnibus in May, in parallel to the new survey.

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The main measures affected are take-up of mobile and Internet. These are lower amongst the new sample as would be expected given the higher proportion of deprived areas now included in the sample – respondents who traditionally are less likely to have these technologies. Results from both surveys are discussed where appropriate in the report to distinguish changes resulting from the sample and real changes in consumer behaviour. This should enable the reader to place the new figures (from which subsequent quarters' trend data will continue) in the context of the previous trend data.

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## Annex 2

### Details of changes to question on Internet package

#### Internet packages

Since February '02 the quarterly surveys have included alternative questions to establish the type of Internet package being used. The original question was fairly complex and lengthy with scope for misinterpretation amongst consumers, particularly bearing in mind that the respondent is not always the Internet decision maker.

#### **Original question**

*Q. Which of these statements best describes the package provided by your households main Internet service provider (ISP)?*

I/we pay monthly/annual subscription and cost of calls whilst online

I/we pay no subscription fee and pay cost of online calls only

I/we pay monthly/annual subscription which gives unlimited free usage, and pay no call costs

I/we pay monthly/annual subscription which gives free usage at certain times or for certain amount of time, but pay for calls costs at other times

#### **Revised questions**

*Q. Thinking about your households main ISP, do you have to pay a subscription fee for the package provided? This might include free usage time and normally is paid on a monthly or annual basis?*

Yes/No

*Q. Do you ever pay any per minute call charges for the time you spend online?*

Pay per minute call charges for all the time spent online

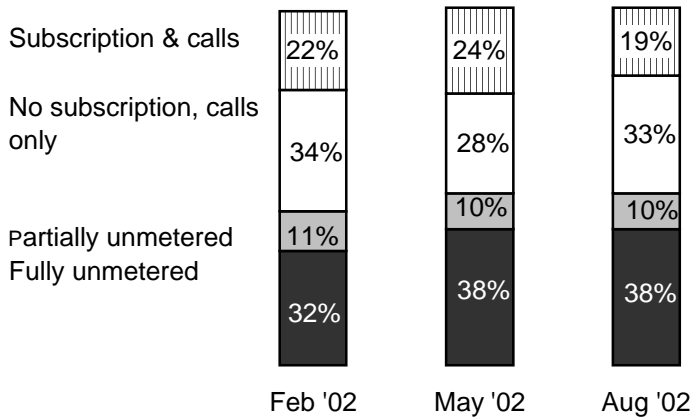
Pay per minute call charges for some but not all the time spent online

Do not pay any per minute call charges for being online

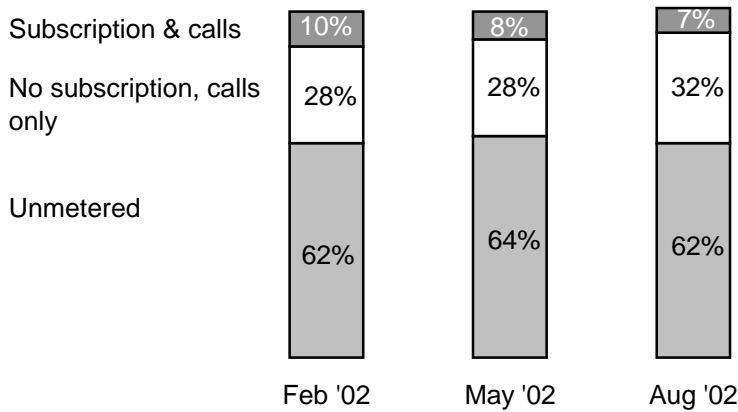
The implications of changing the phrasing of questions are that some of the results will be affected. To understand what changes are due to the revised questions and what changes are real changes in the market, the original question phrasing was run concurrently with these revised questions for three quarters. Results from both sets are shown below.

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**Figure a: Original question**



**Figure b: Revised questions**



As shown in figure a and b above, the main impact of changing the questions was respondents moving from the subscription and calls category to unmetered. Use of calls only packages remained broadly similar.

Results from the revised question phrasing were compared to other consumer Internet surveys conducted on behalf of Which? and NOP. Findings were that results from the revised questions were more comparable than from the previous question.

As shown above use of the various packages has remained broadly similar over recent months as indicated in results from both sets of questions

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