Oftel Office of Telecommunications

Consumers' use of Internet
Oftel residential survey
Q14 August 2003

27 October 2003

Contents

Chapter 1

Introduction

1.1 This report provides an overview of the key findings of consumer behaviour in the Internet market, taken from the fourteenth wave of Oftel's quarterly residential consumer survey, conducted in August 2003. Results from previous research are used for comparison purposes where appropriate and referred to throughout this report.

1.2 The report provides trend information and examines differences between consumers with different social characteristics.

1.3 The quarterly survey was conducted for Oftel by MORI amongst 2099 UK adults[1] during August 2003, of whom 50% claimed to be connected to the Internet at home. A further ad-hoc study was commissioned to examine the behaviour of narrowband Internet customers. Additional questions were included on an omnibus survey conducted by ICM Research during August '03, amongst 460 UK home Internet customers[2] aged 16+. Findings from both of these surveys are discussed in this report, which has been prepared by Oftel[3] based on the results provided by MORI and ICM.

1.4 This report covers:
- Internet penetration
- Connection methods, packages, and ISPs used
- Broadband customers' potential response to price increase
- Narrowband customers' interest in broadband
- Benefits of broadband compared to previous connection methods
- Use of broadband services and choice of supplier
- Satisfaction with Internet services
- Actual versus expected broadband speeds

[1] This survey was conducted amongst a representative sample of UK adults aged 15+, reflecting the UK profile of sex, age, social grade, region and employment status and representative of cabled/non cabled areas, rural/urban areas, and levels of deprivation. Data has also been weighted to ensure the sample is representative of the UK adult population. Because the survey was conducted amongst a sample of adults, rather than the whole population, the data may be subject to a small margin of error. The error margin for total sample of 2099 consumers is about 1-2%, but higher amongst smaller subgroups.

[2] This survey was conducted on an omnibus survey representative of UK fixed line customers aged 16+, reflecting the UK profile of sex, age, region and housing tenure. Because the survey was conducted amongst a sample of households, rather than the whole population, the data may be subject to a small margin of error. The error margin for the 460 consumers with Internet access is about 3-4%, and higher amongst smaller subgroups.

[3] The report should not be seen as recommended best buys and should not therefore be relied upon when making purchase decisions. Oftel has conducted its own checks on the data in this report and whilst we consider it to be correct, Oftel accepts no liability in respect of any of the results provided to it by MORI and ICM or any decisions taken by any person in reliance on the report.

1.5 A copy of the questions used in each survey is attached in Annexes A and B. Topics to be researched each quarter are requested by Oftel project teams and results feed into current investigations and reviews in individual market areas.

1.6 Please note that the definition of broadband is an always-on service, offering data rates of 128 kbps and above.

Chapter 2

Summary findings

Headline figures

- *50% of UK homes have Internet access*
- *61% of UK homes have a PC*
- *18% of Internet homes use broadband (according to subscriber figures)*
- *43% of Internet homes use narrowband unmetered access and 36% use narrowband metered (these figures have been recalculated to exclude those who were unsure which narrowband package was being used)*
- *90% of Internet homes are satisfied with their overall service*

Half of UK homes have Internet access, continuing the upward trend. The rise in PC ownership has also continued

2.1 Home Internet penetration continues to rise, currently at 50% which is a significant increase from 47% in May ’03. This is accompanied by a rise in the number of households with PC’s.

Use of broadband continues to rise and around 1 million Internet customers are likely to upgrade in the next 12 months

2.2 Use of narrowband remains stable this quarter (34% of Internet homes use an unmetered package and 28% use metered), use of broadband has risen to 18%, according to subscriber estimates. Around 4% of Internet homes use an unmetered package with a dedicated second line for Internet access – likely candidates for upgrading to broadband.

2.3 87% of broadband customers upgraded from a narrowband package - 45% upgraded from unmetered and 38% from a pay as you go package. Most upgraded for broadband-specific reasons or benefits, and appreciating the benefits of enhanced applications in comparison to their narrowband service. Based on current usage patterns and experiences of problems with current narrowband connections, between 8% and 14% of narrowband Internet customers appear likely to upgrade to broadband at current prices within the next 12 months. This equates to between 750,000 to 1 million Internet customers.

At least 4 in 5 broadband customers would tolerate a 10% price increase

2.4 A maximum of 1 in 10 broadband customers would switch away from broadband given a 10% rise in current broadband prices, while over 4 in 5 (85%) say they would continue to use broadband. The levels of broadband customers experiencing the benefits of broadband services in comparison to their previous method of connection, support this level of tolerance. As with any hypothetical questioning, claimed reactions to a price rise should be treated with a degree of caution.

Most broadband customers are aware that additional services do not have to be purchased from their main ISP, and the ability to do so has little impact on choice of supplier

2.5 3 in 5 broadband customers were aware that they had a choice of suppliers for email, personal Internet page and PC protection. Most use email, and PC protection, while few in comparison have a personal Internet page. Cost issues, along with minimum speed are the main aspects consumers consider important when choosing a broadband ISP and consumers are less concerned about being able to purchase these additional services from a single supplier.

Speed continues to drive broadband take up and continues to meet expectations

2.6 For the majority of broadband customers faster speed was a driver to take up - 80% upgraded as they were not satisfied with the speed of their previous connection. The majority (87%) of broadband customers thought their connection was about the same if not faster than they had expected it to be initially. This did not vary according to the length of time they had been using broadband or the type of connection (ADSL/cable modem).

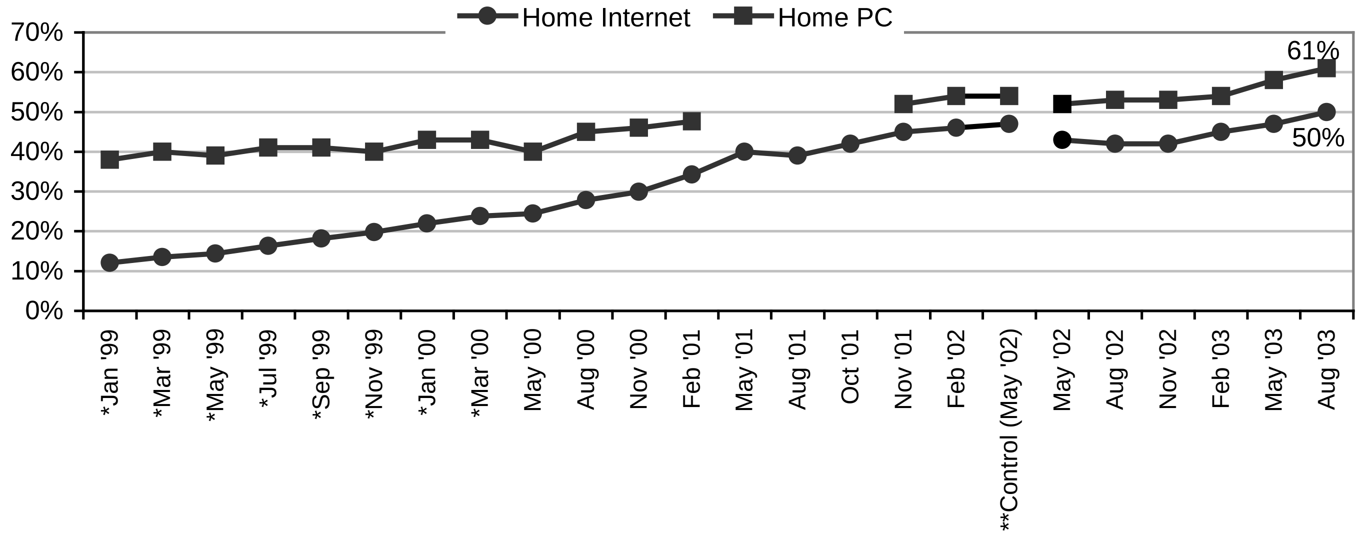
Main findings

Chapter 3

UK home Internet penetration, usage

3.1 The upward trend in home Internet penetration continues this quarter and currently half of UK homes have Internet access. The steady rise in PC ownership reported last quarter has continued and currently stands at 61%.

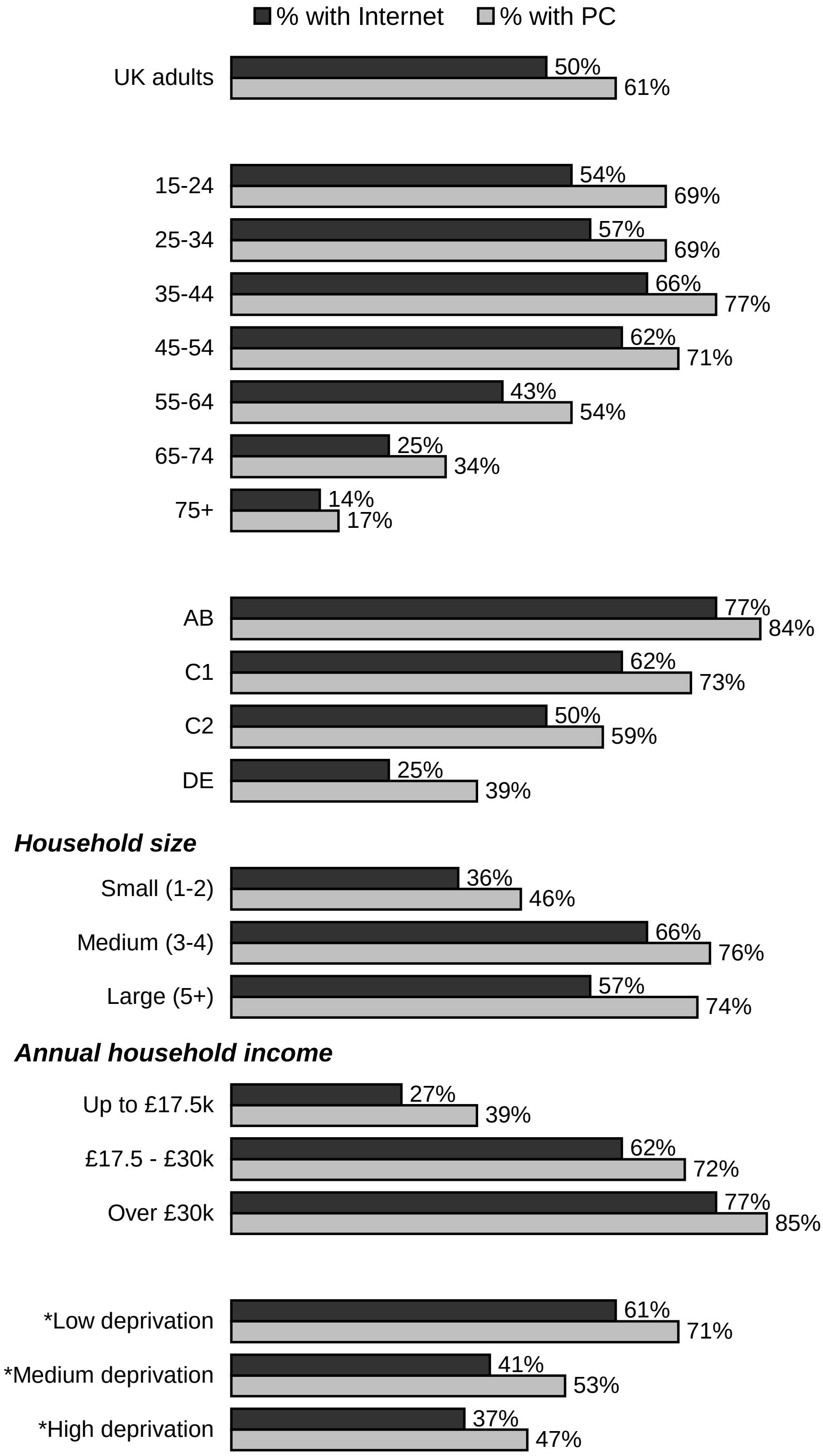
Figure 3a: % UK homes with Internet access
*Base: *UK homes, Aug '03 (Base: 2099)*



** 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.*

3.2 Most demographic groups have experienced a rise in both Internet penetration and PC ownership. PC ownership has risen significantly amongst mobile only homes (ie. homes where a mobile is their only method of telephony) in the last 6 months – rising from 18% in February to 34% in August '03. As noted in the fixed report www.oftel.gov.uk/publications/research/2003/q14fixres1003.htm the proportion of mobile only homes has fallen slightly this quarter which suggests that perhaps some of these consumers are getting fixed lines for Internet access. We will continue to monitor this in subsequent quarters to assess whether this is a real change in the market.

Figure 3b: % homes / adult population with PC and Internet at home
Base: UK homes / residential consumers aged 15+, Aug '03 (Base: 2099)



***** *NB. GB only - Deprivation index is based on a composite score of the level of unemployment, overcrowding, non-car ownership and non-home ownership in an area. The index is only available for the UK mainland (ie excluding Northern Ireland). 46% of GB adults are classified as living in areas of low deprivation, 48% in areas of medium deprivation and 6% in areas of high deprivation.*

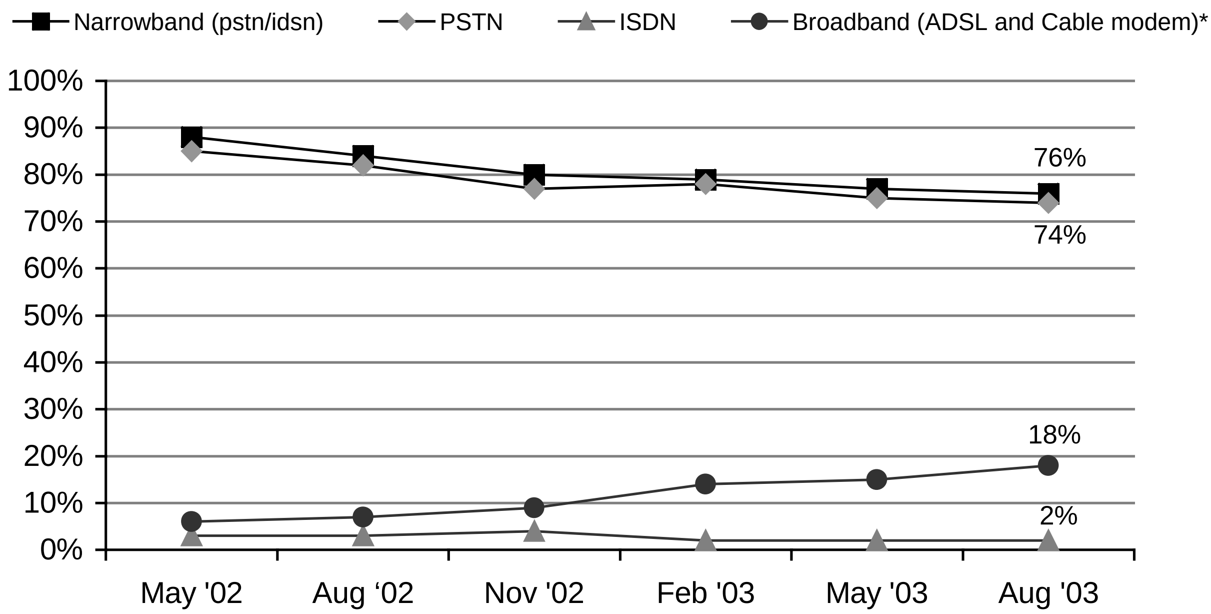
Chapter 4

Connection methods, ISPs, packages used

Access method

4.1 This quarter sees the proportion of consumers with home Internet access using a narrowband connection, remain steady at around three-quarters (76%) of all households. Industry subscriber estimates show that use of broadband access has continued to rise and currently stands at (18%), as shown in figure 4a.

Figure 4a: Penetration of methods used by consumers to access the Internet at home
Base: UK homes with Internet access, Aug '03 (Base: 1069)
NB 2% of homes were unsure what type of Internet connection they used and are not shown on the chart

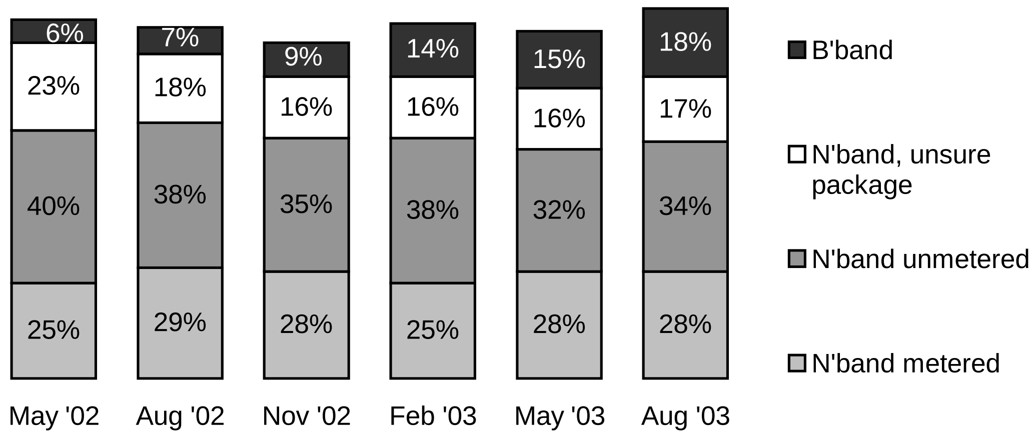


**** Broadband penetration is based on industry subscriber estimates***

4.2 The rise in broadband take-up is mainly due to current users upgrading from narrowband packages, although a proportion of the new Internet users may have connected straight to broadband. Previous connection methods used amongst broadband customers is discussed in Chapter 6 and indicates that the majority of broadband users upgrade from narrowband access (87%), although 1 in 10 claim to have connected straight to broadband.

4.3 Use of narrowband packages has remained fairly stable this quarter, as shown in figure 4b. Currently just over a third (34%) use an unmetered narrowband package, 28% connect using a metered package and a further 17% use narrowband but are unsure which package they are using.

Figure 4b: Type of Internet package used
Base: UK homes with Internet access, Aug '03 (Base: 1069)
NB 2% of homes were unsure what type of Internet connection they used and are not shown on the chart



**** Broadband penetration is based on Industry subscriber estimates***

Homes with a second line

4.4 Similar to findings in February and May '03, 15% of narrowband customers (PSTN/ISDN) have a second phone line. Just over half of these (9%) have a second line specifically for Internet access, in other words they have one line purely to make calls and one line purely for Internet access. The remainder use their second phone line for both voice calls and the Internet.

4.5 Currently 11% of unmetered narrowband customers have a second phone line dedicated to Internet use. This proportion has not changed since May '02 and equates to 4% of Internet homes using an unmetered narrowband package with a dedicated second line, or around half a million households. These Internet customers may benefit from a broadband connection as the monthly charges would be broadly similar to current narrowband prices plus the cost of a second phone line dedicated to Internet access.

ISPs used

4.6 Consumers with home Internet access continue to make use of a range of ISPs. BT, Freeserve, and AOL remain the most widely used, and figure 4c indicates a broadly stable situation over time. Use of BT appears to have grown slightly since last quarter currently used by 23% of the residential ISP market, we will continue to monitor ISP shares. Use of 'other' ISPs tends to fluctuate and includes homes using multiple ISPs who may switch between them. In cabled areas NTL and Telewest have significantly higher shares, as would be expected, at 21% and 9% respectively. A further 1% of consumers claimed to access the Internet at home via their mobile phone therefore did not use an independent ISP.

Figure 4c: ISP share of UK residential homes with Internet access (based on all ISPs consumers use)

Base: All ISPs used in UK homes with Internet access Aug '03 (Base: 1013, 6% 'don't knows' have been excluded and 1% using only a mobile to connect)

NB this is not the same as the proportion of consumers using each ISP as some households are using more than one ISP. Results are only indicative of ISP shares.

	Aug '00	Aug '01	Feb '02	Aug '02	Feb '03	May '03	Aug '03
BT	15%	18%	20%	18%	20%	18%	**23%**
Freeserve	27%	19%	21%	20%	21%	19%	**19%**
AOL	10%	16%	17%	19%	17%	18%	**18%**
NTL (includes cable and Wireless)	8%	9%	13%	17%	13%	12%	**13%**
Tiscali (including Tiny Online and Lineone from May '02 onwards)	-	-	2%	4%	6%	6%	**5%**
Telewest/Blueyonder	-	-	3%	3%	6%	5%	**5%**
Virgin Net	3%	3%	2%	4%	4%	4%	**3%**
Tesconet	-	-	-	-	-	-	**2%**
Others	23%	25%	15%	15%	12%	17%	**12%**
Total	100%	100%	100%	100%	100%	100%	100%

- less than 2% share included in other category

Chapter 5

Narrowband Internet customers

5.1 The following section is based on results from questions included on a consumer omnibus survey by ICM Research. It examines the realistic likelihood of current narrowband customers upgrading to broadband, taking into consideration past experiences and current usage patterns.

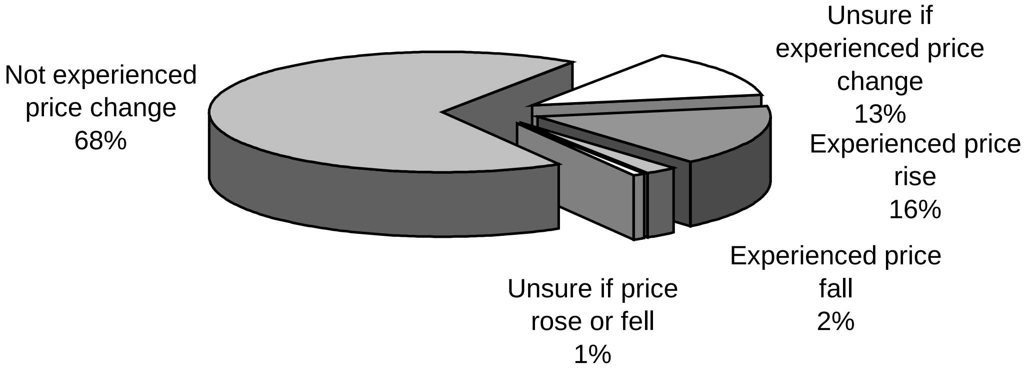
Monthly costs for unmetered narrowband customers

5.2 As reported in chapter 4, three-quarters of Internet homes use a narrowband connection, PSTN or ISDN. A third of Internet homes use an unmetered narrowband package while 28% use metered, the remainder are unsure which narrowband package they currently use.

5.3 On average consumers using an unmetered narrowband Internet package at home claim to be paying around £15 per month for the service. This is in line with the average monthly subscription charges for these types of package indicating that these consumers have a fairly accurate idea of their spend on Internet services.

5.4 1 in 5 narrowband customers claimed they had experienced a price change in their Internet service, as shown in figure 5a. This was higher amongst those currently using an unmetered package (28%) and only 8% of metered customers claimed to have experienced a change in prices. Metered customers are probably less likely to notice a change in the price of their service as any rise or fall is more likely to be explained by usage patterns. Unless customers remember being specifically informed of changes to their call charges, they are less likely to be aware of any change.

Figure 5a: % narrowband customers experienced price change for Internet connection
UK adults aged 16+ with narrowband home Internet access, Aug '03 (Base: 360)



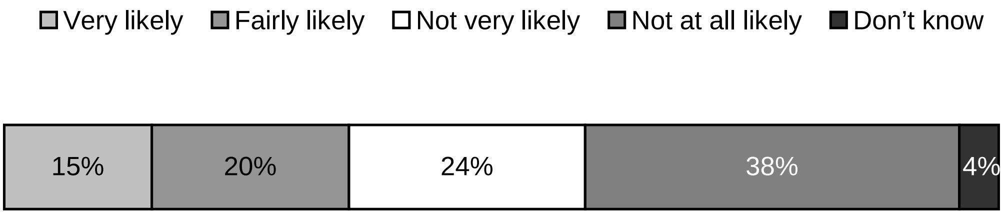
5.5 The majority of consumers who remember experiencing a change in the cost of their Internet service said the price rose (16% of all narrowband customers experienced a rise in the cost of their service). At the time two-thirds of these consumers remained with their current connection and ISP and paid the higher price.

About a quarter said they switched to another package or ISP (this is based on a small sample so should be treated as indicative only).

Interest in broadband services

5.6 Current broadband prices range between £18-£28. A third (35%) of narrowband customers, thought they would realistically upgrade to broadband at current prices, within the next 12 months, shown in figure 5b. This equates to approximately 2.75 million households.

Figure 5b: Claimed likelihood of upgrading to broadband at current prices in next 12 months
Base: UK adults aged 16+ with home Internet access, but ***not*** *using broadband or other high speed access, Aug '03 (Base: 342)*



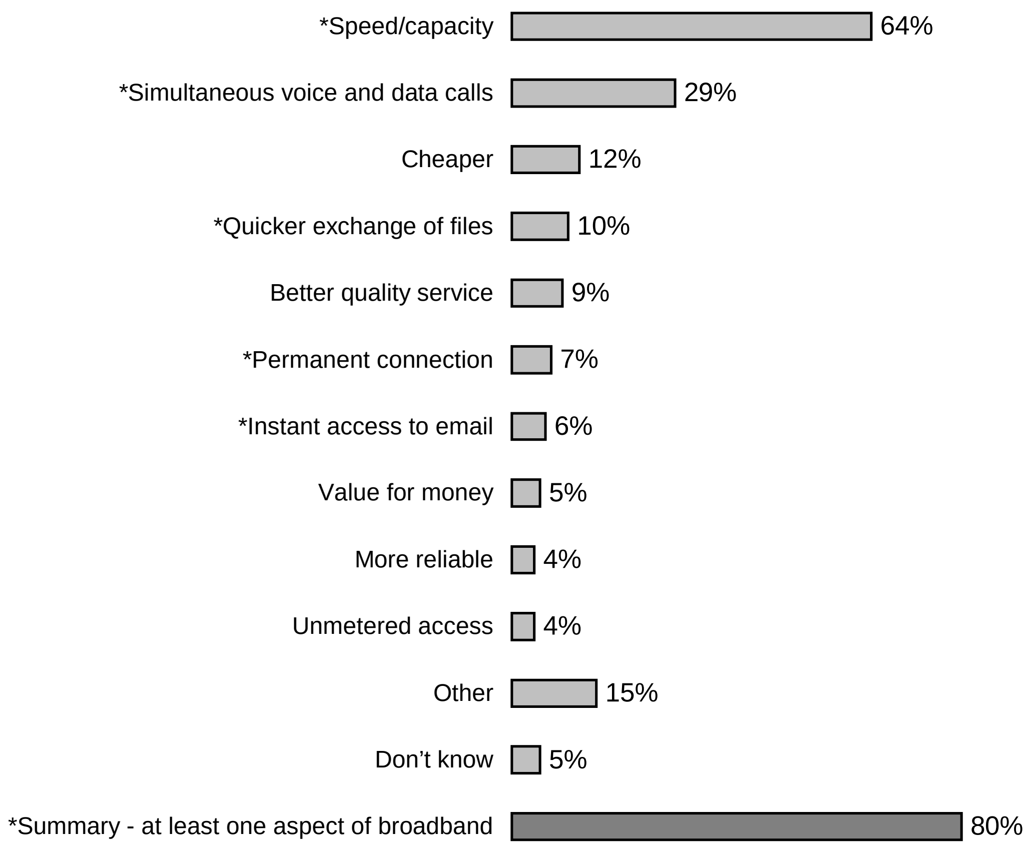
5.7 Those consumers more likely than average to say they were likely to upgrade to broadband in the next 12 months at current prices, were younger consumers, 44% of 16-34's, AB social grades (40%), and those using an unmetered narrowband connection (45%). There were no significant differences in likelihood to switch according to previous switching behaviour – those that previously used a metered package were as likely (47%) as those who had always used the same package (44%) to think they would upgrade.

5.8 However, this does not necessarily mean all of these consumers will actually get broadband. Previous research has clearly shown that claimed intentions rarely materialise in the same level of take-up. The following section examines these consumers in more detail in order to assess the realistic likelihood of upgrading.

Reasons for considering broadband

5.9 Figure 5c illustrates the reasons these consumers think they will upgrade, and indicates the vast majority was aware of some benefits of broadband in comparison to their current connection. The main reason non-broadband customers said they were likely to upgrade to broadband was for faster speeds (64%), the second most popular reason was for the simultaneous voice and data calls over their fixed line (29%), as shown in figure 5c.

Figure 5c: Reasons likely to upgrade to broadband, (unprompted)
Base: UK adults not using broadband or other high speed access, likely to upgrade to broadband, Aug ’03 (Base: 112)



5.10 In total 80% of customers likely to upgrade to broadband mentioned at least one broadband specific benefit as their incentive (increased speed, simultaneous voice and data calls, quicker exchange of files, permanent connection, or instant access to email). This suggests this group are more knowledgeable about the benefits of broadband than those noting reasons that may not necessarily be realised with a broadband connection and therefore, perhaps more likely to upgrade.

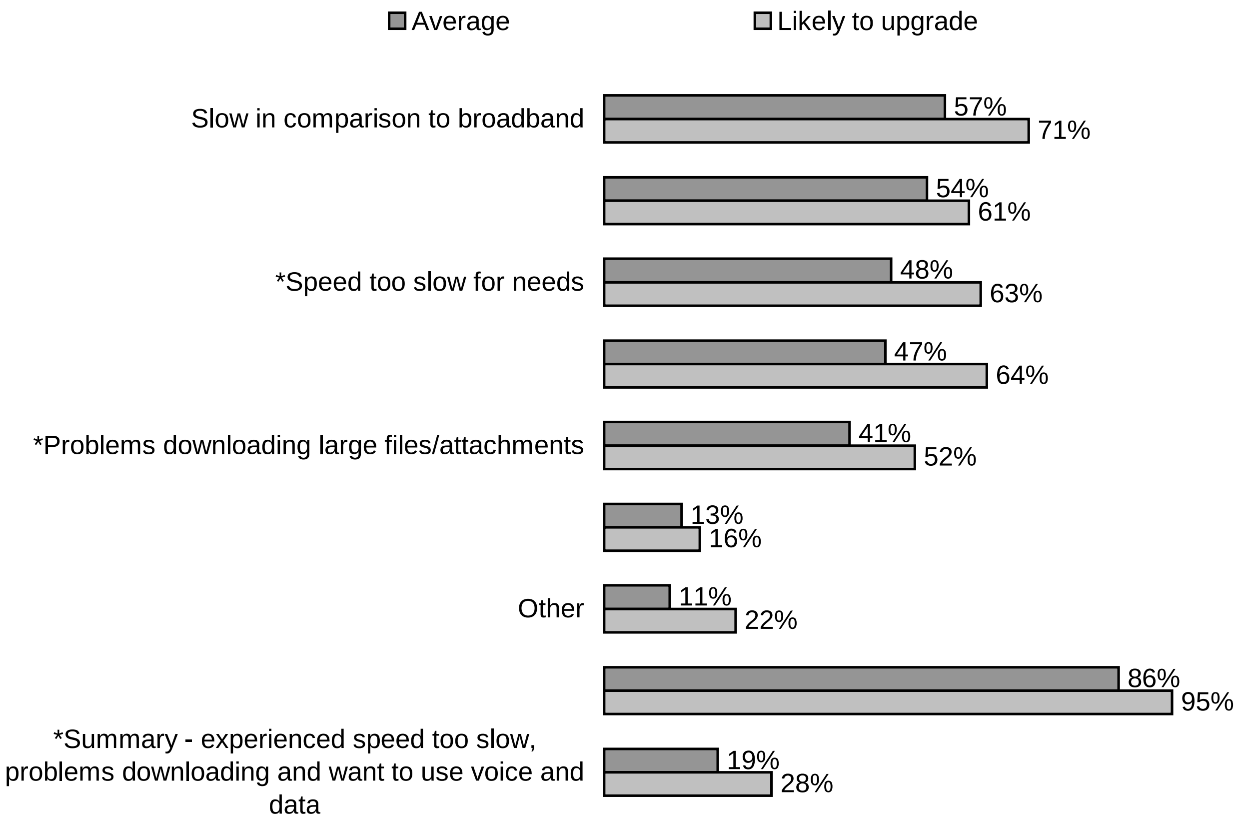
Problems experienced with narrowband connections

5.11 Narrowband customers experiencing problems with their current connection are another group potentially more likely to upgrade. Half (48%) of narrowband customers said their current speeds were too slow for their needs and a similar proportion (47%) were frustrated at the inability to use their phone line at the same time as the Internet. 4 in 10 (41%) were experiencing problems downloading large files/attachments, as shown in figure 5d. Using a broadband connection, with faster/higher capacity and the ability to make voice and data calls simultaneously could reduce each of these problems.

5.12 Almost 3 in 5 narrowband customers (57%) thought their Internet connection was slow in comparison to broadband. Just over half (54%) said they had experienced problems connecting to the Internet or have been cut off whilst connected. These two issues alone may be unlikely to influence an upgrade to broadband as although consumers claim speeds are slow in comparison to broadband, they may not actually want faster speeds. Similarly, all Internet users including broadband customers may experience problems with their connection or being cut off.

5.13 As shown in figure 5d, the vast majority (86%) of narrowband customers, have experienced at least one of the problems discussed above. Perhaps more interestingly, 1 in 5 narrowband customers (19%) have experienced *all* of the three problems (insufficient speeds, frustration at inability to use phone and Internet simultaneously, problems downloading) that broadband could reduce. This suggests this group would be most likely to benefit from switching to broadband. It appears that consumers who have experienced each of these problems are more likely to be thinking about upgrading to broadband.

Figure 5d:% experiencing problems with narrowband Internet connection, (prompted)
Base: UK adults aged 16+ with narrowband Internet access, Aug '03 (Base: 360)
Base: UK adults aged 16+ with narrowband Internet access and likely to upgrade, Aug '03 (Base:112)



5.14 Other areas narrowband customers were experiencing problems with were: cost (13%), disconnection due to receiving a call on the landline, viruses, junk mail, and pop-up adverts – the latter problems were all mentioned by 3% or less of narrowband customers.

What proportion have already looked into obtaining broadband?

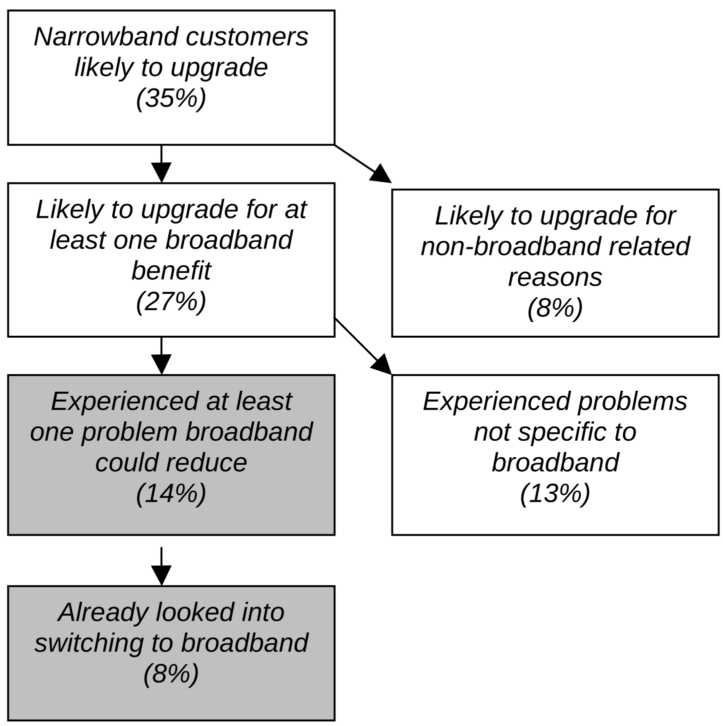
5.15 Half (48%) of those that claimed they were likely to upgrade to broadband services have already looked into the possibility of switching, in terms of actually finding out about prices and alternatives, this equates to 16% of all narrowband users and 12% of all homes with Internet.

5.16 The following chart illustrates the assumptions used to arrive at a realistic proportion of narrowband customers most likely to upgrade. This is based on their reasons for upgrading, problems experienced that could be improved with a broadband connection and whether they have already looked into purchasing a broadband connection.

5.17 14% of non-broadband customers claimed they were likely to upgrade for at least one broadband-positive reason, and have also experienced at least one problem that broadband would reduce. These consumers are therefore potentially more likely to upgrade, than those stating non-broadband related reasons for switching, and those not experiencing any problems with their current connection.

5.18 Perhaps the most likely group to upgrade is the subset of these consumers – those that have already looked into switching to broadband which equates 8% of non-broadband customers or approximately 1 million Internet homes, and most of which claimed to be very likely to upgrade.

Figure 5e: % realistically likely to upgrade to broadband at current prices in the next 12 months
Base: UK adults aged 16+ with non-broadband Internet access and likely to upgrade, Aug '03 (Base: 112)



Chapter 6

Use of broadband

6.1 As reported in chapter 4, 18% of Internet homes currently use a broadband connection. On average broadband households are spending around 17 hours per week on line and claim to pay about £23 per month on average for their service. These figures are broadly similar to those reported last quarter and current market prices, which indicates that customers appear to have a fairly good idea of how much they are paying for their broadband services. *Broadband services offering speeds of 150-600 kbps are currently available for £16-£30 per month. Higher speed services, offering speeds of 1-2 mbps and above are also available. In most cases higher speed services attract higher monthly rental fees.*

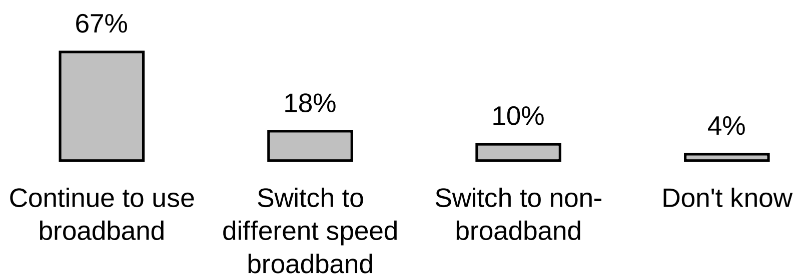
6.2 The following section explores how broadband customers think they would react to a 10% rise in current broadband prices.

Potential response to price increases

6.3 Broadband decision-makers were asked about the ways in which they might change their Internet usage if the price they were currently paying rose by 10%. *This type of result should be treated with some degree of caution as it is speculative, asking people to predict what they might do, and therefore may not accurately reflect the reality of what would happen if prices did change.* Actual behaviour would depend amongst other things on customers noticing changes to prices and making the effort to change – the level of claimed switching intentions is rarely achieved in practice.

6.4 Almost 7 in 10 (67%) broadband decision-makers claimed they would continue to use the same broadband product if prices rose 10% and a further 1 in 5 (18%) stated they would switch to a different speed broadband product, largely to lower speeds (12%). This equates to just over 4 in 5 (85%) broadband customers that would continue to use a broadband product given a 10% price rise. A further 1 in 10 thought they would switch to narrowband. These figures are consistent with previous findings from February and May '03.

Figure 6a: Proposed behaviour in response to price increases
Base: UK broadband decision makers, Aug '03 (Base: 133)



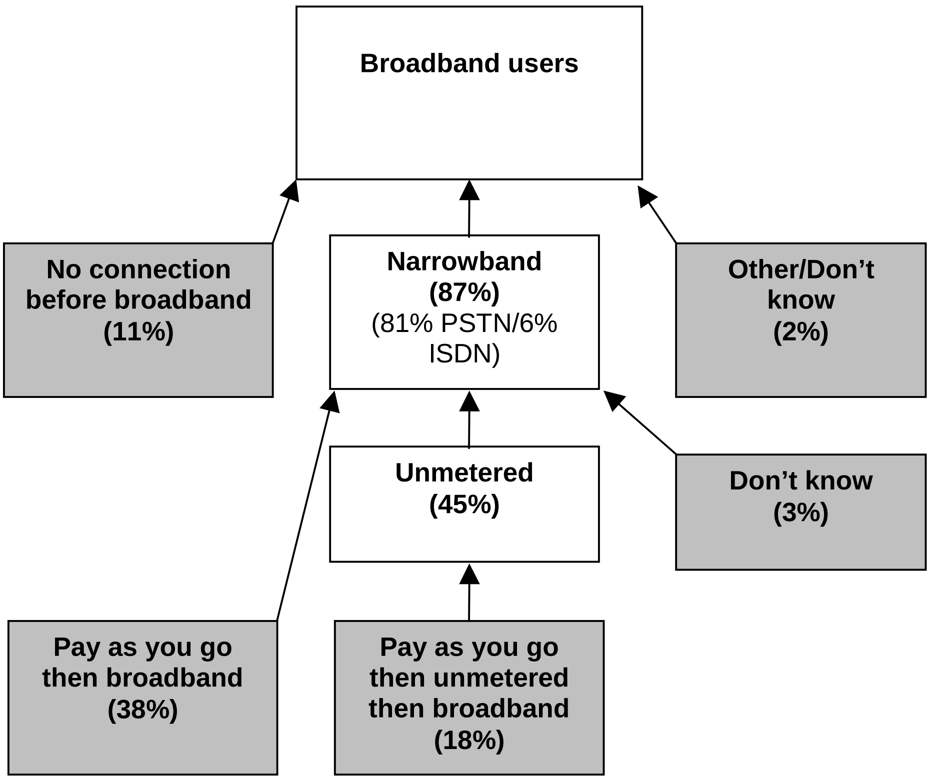
6.5 There were 23 decision makers that said they thought they would switch to an alternative speed broadband service if their monthly charges increased by 10% - half of these said this was because they were not willing to pay the higher price for the faster speed and a fifth said that lower speeds would be sufficient for their needs.

6.6 Of the 13 broadband decision-makers that claimed they would switch to a non-broadband service if the price of their current service rose by 10%, half said broadband was not worth the extra money. A fifth didn't use broadband enough to justify paying more.

Previous connection method used

6.7 Figure 6b shows the various stages that broadband customers progressed through before they began using broadband. Around 1 in 10 (11%) broadband customers connected straight to the Internet using this method of connection. However, the majority (87%) switched from a narrowband package (81% from ordinary phone line/PSTN and 6% from ISDN) – 45% from unmetered and 38% from metered.

Figure 6b: Previous connection methods prior to broadband
Base: Broadband decision-makers, Aug '03 (Base: 133)



6.9 The following section examines the past behaviour of broadband customers, previous access methods and reasons for upgrading. Also examined are current usage patterns and any benefits experienced amongst switchers in comparison to their previous access method which will assist assess whether claimed behaviour in response to a price change is in fact realistic.

Reasons for connecting straight to broadband

6.10 As mentioned above, 11% of broadband customers connected straight to the Internet using this method of connection. *Given that the following is based on a sample of 24 respondents extreme caution should be applied to the results and they should be treated as indicative only.*

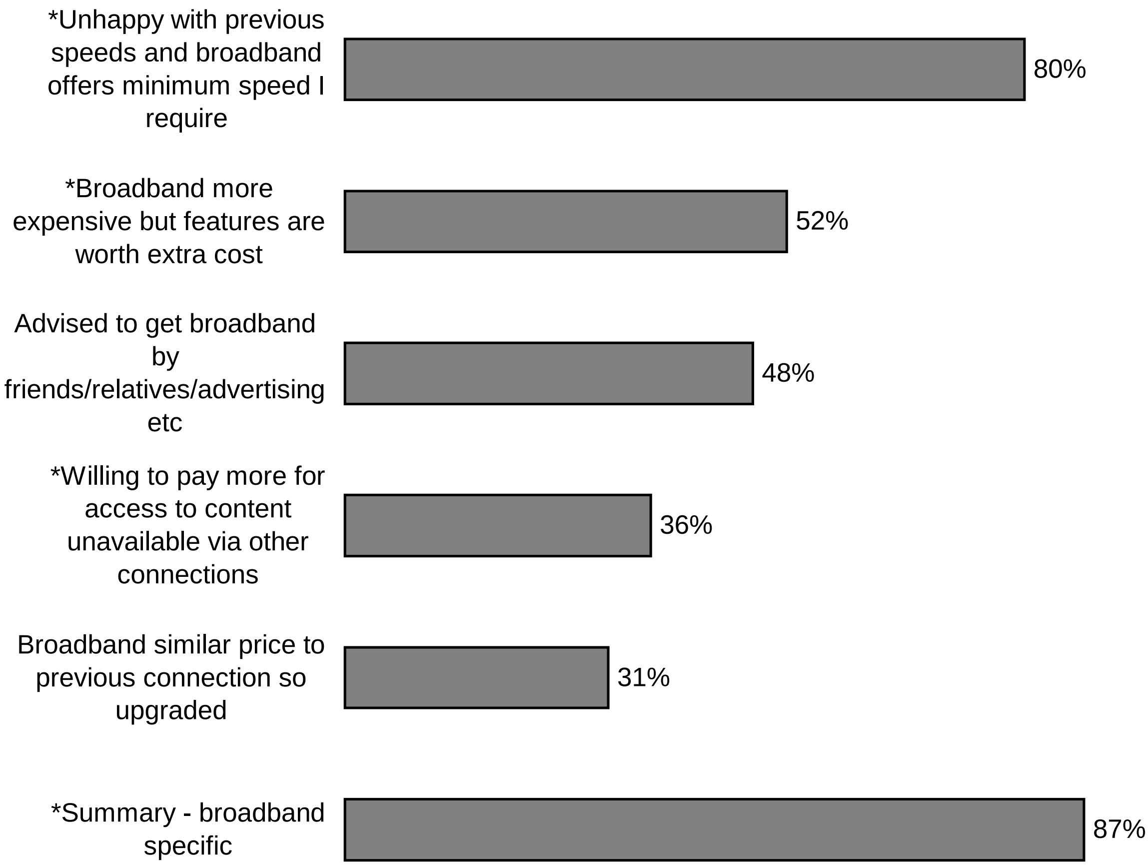
- 7 out of 10 compared the cost of broadband with non-broadband products and decided that the extra features were worth the additional cost.
- Just under two-thirds took broadband as it was the only access that offered the features they were looking for.
- Around 6 in 10 compared the speeds available via other access methods and decided broadband was the only connection offering the speeds they required.
- Just over half got broadband on the advice of friends/family or sales person/advertising.

6.11 This indicates that most broadband customers that connected straight to the Internet via this connection made an informed decision to do so, by comparing the costs of other access methods, assessing which features they required, or the benefits of the broadband in comparison to other methods.

Reasons for switching to broadband

6.12 Amongst those consumers who upgraded to broadband from narrowband (87% of broadband customers), the main reason why consumers claimed to have upgraded to broadband was for faster speeds. This is consistent with the main reason given by narrowband customers for considering broadband (64% stated their current speeds were too slow). On average 4 in 5 customers that used a previous connection said they were unhappy with the speed of their previous service and broadband offered the minimum speed they required, there were no significant differences according to the type of narrowband package used previously.

Figure 6c: Broadband decision making
Base: Broadband decision-makers that previously used another connection, Aug '03 (Base: 118)



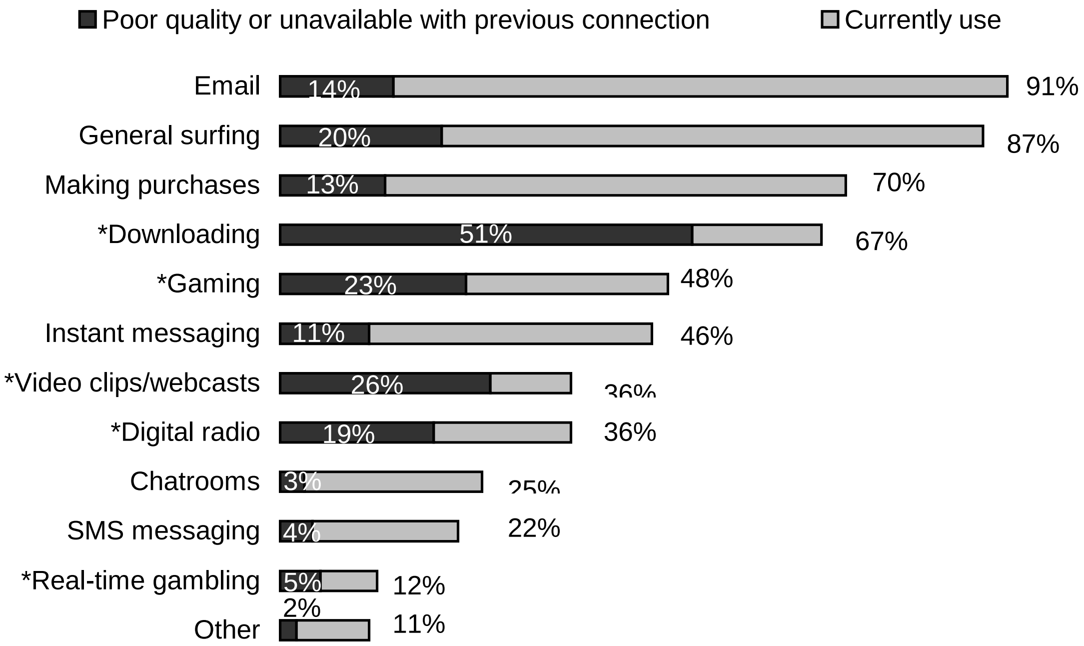
6.13 Half (52%) said although broadband was more expensive than their previous connection they felt the additional features were worth the extra cost. 36% were willing to pay more for access to content unavailable via other connection methods. In total, 87% of broadband customers mentioned one of these three reasons for upgrading (speed, features worth the cost, access to content) and most of these claimed they were likely to stick with broadband given a 10% price increase.

Benefits of broadband compared to previous connection

6.14 The vast majority of broadband customers use their Internet connection for sending and receiving email (91%), and general surfing (87%). 7 in 10 make purchases over the Internet, such as goods, tickets or services. However, all of these services are also available via slower speed Internet services. Almost as popular, was use of broadband for downloading music, movies or video-clips (67%) which would not be as fast or of the same quality via a narrowband connection. In total, 90% of broadband customers currently use their connection for aspects that would only be available or of an acceptable quality via a broadband connection.

6.15 The majority of broadband customers previously used another connection and therefore were able to make comparisons between methods. Services that were poor quality or unavailable via their previous connection, included the ability to download information such as music files or video clips, viewing webcasts (26%) and gaming (23%). Around 7 in 10 of those using broadband specific applications claimed they would remain with broadband, and given their current uses and experiences are likely to realistically react in this way. Figure 6d shows the proportions that currently use their Internet connection for different purposes and the percentages that found these activities poor quality or unavailable with their previous connection.

Figure 6d: Comparison between previous and current use of broadband
Base: Broadband decision makers that previously used another connection, Aug '03 (Base: 118)

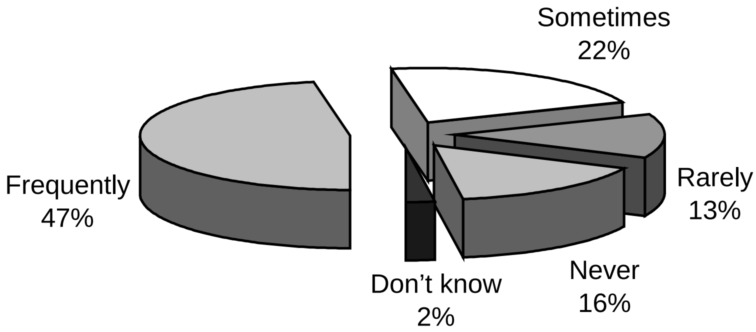


** applications enhanced or only possible with a broadband connection*

Simultaneous use of fixed phone and Internet

6.16 Another unique aspect of broadband is that it allows users to make voice calls at the same time as using the Internet via the same fixed telephone line. Almost half (47%) of broadband customers claimed to frequently make use of this feature, and a further 22% said that they sometimes use the phone while connected to the Internet (fig 6e). Unsurprisingly, those consumers using the phone/fax while being online most frequently are heavier Internet users (19 hours online per week), compared to an average 13 hours amongst those who rarely use this feature of broadband.

Figure 6e: % use fixed phone and Internet simultaneously
Base: Broadband customers, Aug '03 (Base: 236)



6.17 In summary, the current behaviour and past experiences of broadband customers is consistent with their claimed behaviour in response to a 10% increase in broadband prices. Most broadband customers are enjoying the benefits of broadband and most of those who upgraded did so for unique broadband aspects, this therefore suggests that claimed responses would broadly reflect actual behaviour and the majority of broadband customers would remain with their connection should prices rise 10%.

Chapter 7

Broadband suppliers and services

Awareness of additional services

7.1 It is possible to obtain services such as email, a personal page on the Internet and protection against computer viruses to use in conjunction with a broadband or other Internet connection. These services are available at little or no extra cost from various service providers and not just from the supplier of the customers' broadband connection. The following section examines whether the ability to purchase each of these services from a single supplier would influence consumers' choice of broadband ISP.

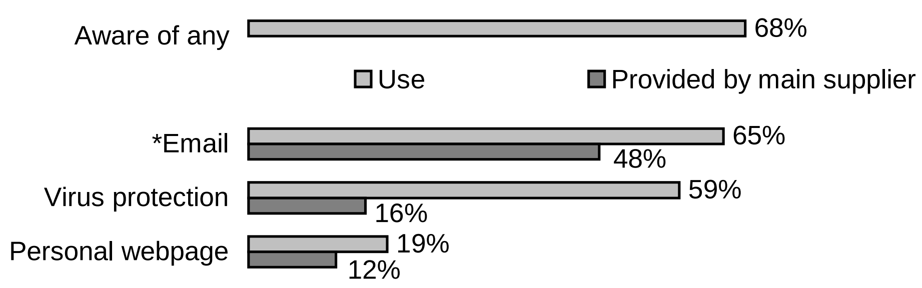
7.2 3 in 5 (59%) broadband customers (rising to 63% amongst decision-makers) were aware that they had a choice of suppliers from which to obtain these services. 1 in 10 (9%) were aware of these services but thought they were only available from their chosen broadband supplier. A quarter (26%) of broadband customers were not aware that these additional services were available at all.

Use of additional services

7.3 As mentioned previously most broadband customers use email, 3 in 5 (59%) have protection against computer viruses, and around 1 in 5 (19%) currently have their own personal page on the Internet. Figure 7a shows the proportion using these additional services, and the proportion who use their main broadband ISP to supply these.

7.4 Half (48%) of broadband customers use email supplied by their main ISP, in comparison 16% obtain their virus protection from their main ISP – both of these used by broadly similar proportions of broadband customers. However, the majority of those with a personal web page (19%) of broadband customers have this supplied by their main ISP (12%).

Figure 7a: % using additional services and whether supplied by main ISP, (prompted)
Base: Broadband customers, Aug '03 (Base: 236)



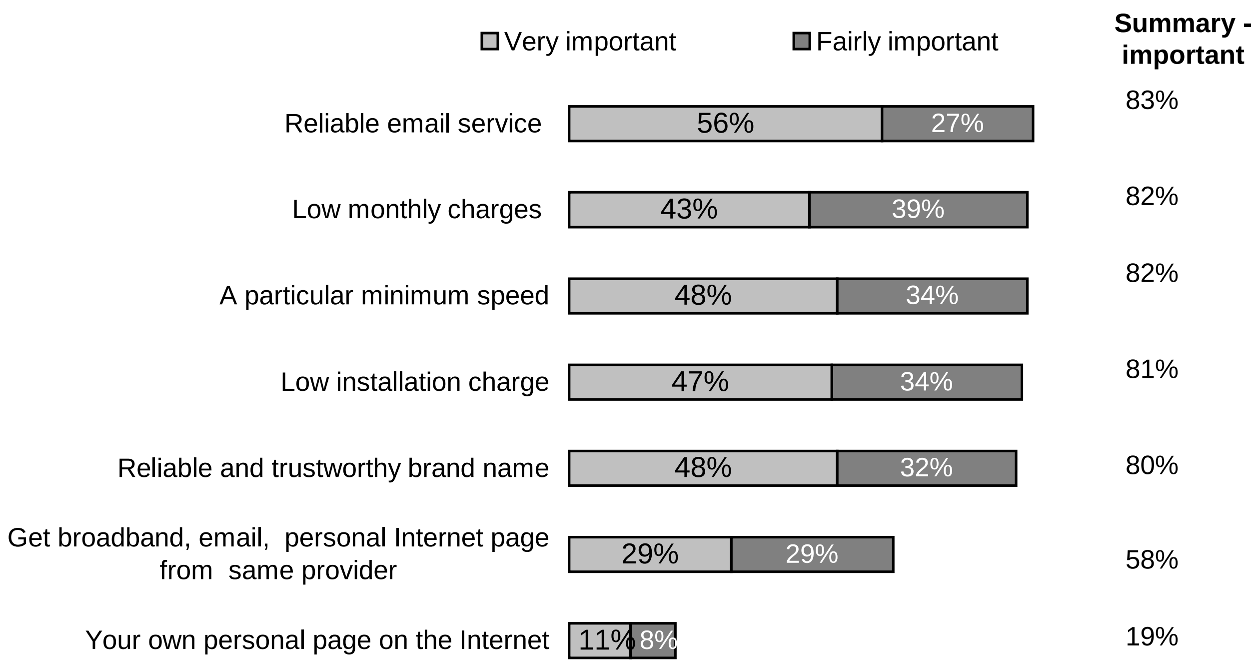
** figure does not match that quoted in chapter 6 due to alternate question phrasing*

Importance of specific aspects in choice of broadband supplier

7.5 The main aspects important to broadband customers when choosing a supplier were: a reliable email service, low monthly charges, a minimum speed, low installation charges and a reliable and trustworthy brand name. Each of these were mentioned as important by around 4 in 5 broadband customers. As shown in figure 7b, email was stated as very important in choice of broadband supplier by almost 3 in 5 customers.

7.6 The ability to obtain additional services such as email and a personal page on the Internet from the same broadband supplier was considered important by fewer broadband customers (58%) in comparison. Only 1 in 5 broadband customers stated that a personal page on the Internet was an aspect they considered important in choice of supplier.

Figure 7b: Importance of specific aspects in choice of broadband supplier, (prompted)
Base: Broadband customers, Aug '03 (Base: 236)



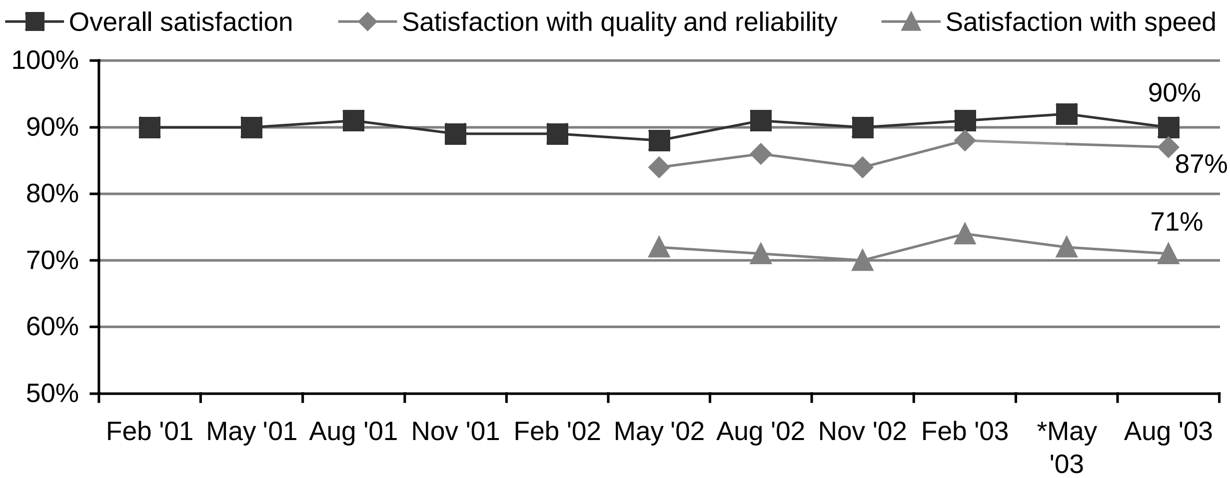
7.7 In summary, cost issues such as monthly charges and installation, reliability of specific services and of the ISP themselves, along with a minimum speed are the main aspects considered important when choosing a broadband supplier. Broadband customers are less concerned about being able to purchase additional services from a single supplier, perhaps because almost two-thirds (63%) were aware that they can purchase additional services from a variety of other suppliers.

Chapter 8

Satisfaction with home Internet services

8.1 Satisfaction with home Internet services remains stable, currently standing at 90%.

Figure 8a: Satisfaction with home Internet service
Base: UK homes with Internet access, Aug '03 (Base: 1069, 'don't knows have been excluded)



** satisfaction with quality and reliability was not asked in May '03*

8.2 Levels of satisfaction vary by type of connection used, satisfaction amongst narrowband users is fairly consistent across both package types. Broadband customers remain most satisfied with all aspects of their Internet service including speed. However, satisfaction with this aspect has dropped back from 98% in May to a lower level of 92%, but remains significantly higher than narrowband users.

8.3 Satisfaction with speed amongst unmetered narrowband customers has also fallen this quarter to 62%, while satisfaction amongst metered customers appears to have recovered to around 7 in 10 (68%), as shown in figure 8b.

Figure 8b: Satisfaction with aspects of home Internet service
Base: UK homes with Internet access, Aug '03 (Base: 1069, 'don't knows have been excluded)

	Average			Narrowband unmetered (PSTN/ISDN)			Narrowband metered (PSTN/ISDN)			Broadband		
	Feb '03	May '03	Aug '03	Feb '03	May '03	Aug '03	Feb '03	May '03	Aug '03	Feb '03	May '03	Aug '03
Overall Internet service	91%	92%	90%	89%	91%	88%	93%	88%	88%	97%	98%	96%
Quality and reliability	88%	-	87%	88%	-	87%	89%	-	87%	95%	-	92%
Speed	74%	72%	71%	66%	69%	62%	70%	57%	68%	94%	98%	92%

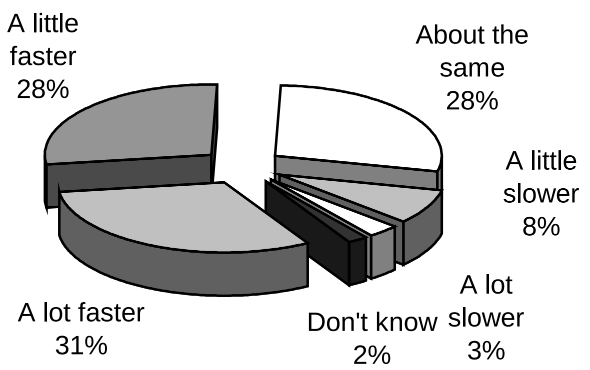
Actual versus expected broadband speeds compared to satisfaction

8.4 Broadband customers were asked about how their actual broadband speeds compared to their expectations when they first started using broadband services.

8.5 The majority (87%) of broadband customers thought their connection was about the same if not faster than they had expected it to be initially, as shown in figure 8c. This is consistent with findings from May '03. There were again no significant differences in expected speeds according to the broadband method being used, cable modem or ADSL.

8.6 In total 98% of customers stating their speeds were faster than they had expected were satisfied with this aspect of their Internet service. Therefore, it appears broadband is still meeting consumers' expectations.

Figure 8c: Actual speed of broadband versus expected speeds
Base: Broadband customers, Aug '03 (Base: 236)



Annex A

Q14 residential questions on Internet

ASK ALL

Q1. Do you or does anyone in your household have a PC (by PC we mean a desktop or laptop or any other computer)?

Yes
No
Don't know

ASK ALL

Q2. Do you or does anyone in your household have access to the Internet/worldwide web at HOME (via any device, eg PC, mobile phone etc)?

Yes
No
Don't know

ASK ALL THOSE WHO ARE CONNECTED TO THE INTERNET AT HOME

Q3. Which of these methods does your household use to connect to the Internet at home? Just read out the letter or letters that apply.

A Ordinary phone line – dialup access
B ISDN line - mid speed access, allows you to make voice calls at the same time as using the Internet
C Broadband - always on, high-speed access, allows you to make voice calls at the same time as using the Internet
D High speed access via another method e.g. satellite, fibre optic, fixed, wireless or leased line
Other
Don't know

ASK ALL WITH BROADBAND

Q4. Which of these best describes how you access broadband at home? Just read out the letter that applies.

A Access via a BT or other telephone line, but NOT a cable line (DSL/ADSL)
B Access via cable companies such as NTL/Telewest using a cable modem

Don't know

ASK ALL WITH BROADBAND

Q5. Thinking about the speed of your broadband Internet connection, is this faster, slower or about the same as you expected it to be when you first got it?

A lot faster
A little faster
About the same
A little slower
A lot slower
Don’t know

ASK ALL USING AN ORDINARY PHONE LINE OR ISDN TO CONNECT TO THE INTERNET

Q6. Which of these best describes whether you have a second fixed phone line to enable you to make telephone calls at the same time as using the Internet, please do not include your mobile phone? Just read out the letter that applies.

A I have a second phone line which I only use for Internet access
B I have a second phone line which I use for both Internet access and voice calls
C I do not have a second phone line

Other
Don’t know

ASK ALL THOSE WHO ARE CONNECTED TO THE INTERNET AT HOME

Q7. Which Internet Service Provider(s) (ISPs) does your household currently use, including any free ISPs?

ASK ALL THOSE WHO ARE CONNECTED TO THE INTERNET AT HOME BUT DO NOT USE BROADBAND

Q8. Thinking about your household’s <u>main</u> Internet Service Provider (ISP), do you have to pay them a subscription fee for the package provided? This might include free usage time, and is normally paid on a monthly or annual basis.

Yes
No
Don’t know

ASK ALL THOSE WHO ARE CONNECTED TO THE INTERNET AT HOME BUT DO NOT USE BROADBAND

Q9. Which of the following applies to your main ISP? Just read out the letter that applies.

A Pay ‘per minute’ call charges for all the time spent online
B Pay ‘per minute’ call charges for some but not all of the time spent online
C Do not pay any ‘per minute’ call charges for being online

Don’t know

ASK ALL WITH BROADBAND (Q40/3) OR

USE AN ORDINARY PHONE LINE OR ISDN LINE TO CONNECT TO THE INTERNET AND PAY A SUBSCRIPTION AND SOME OR NO CALL CHARGES

Q10. How much do you pay each month for your Internet service? Please do not include any other phone charges or bills, only the subscription you pay for your Internet service.

ASK ALL WITH BROADBAND

Q11. Who in your household made the decision to get broadband?

Self
Other person in home
Equal decision with other household member
Don’t know

ASK ALL WITH BROADBAND

Q12. What type of Internet connection did your household use before you got broadband? Just read out the letter that applies.

A Ordinary phone line – dial up access
B ISDN line - mid speed access, allows you to make voice calls at the same time as using the Internet
Other
Nothing – not previously connected
Don’t know

ASK ALL WHO PREVIOUSLY USED AN ORDINARY PHONE LINE/ISDN

Q13. And did you previously use a pay as you go package or one where you paid a set fee for unlimited access for either some or all of the time?

Pay as you go
Unlimited
Don’t know

ASK ALL WHO PREVIOUSLY USED UNLIMITED

Q14. And before getting an unlimited package, did you ever use a pay as you go package?

Yes
No
Don’t know

ASK ALL THAT PREVIOUSLY USED ‘OTHER’ CONNECTION

Q15. Please tell me whether the following statements about switching to broadband apply to you or not. Firstly, …

a) Broadband was a similar price to my previous Internet and phone service so I decided to upgrade

b) Broadband was much more expensive than my previous Internet service, but I decided that the additional features were worth the extra cost
c) Broadband gives access to content that no other types of connection can and I was willing to pay more for that
d) I was not happy with the speed of my previous service and broadband offers me the minimum speed I need
e) I got broadband on the advice of family/friend/sales person/ advertising campaign

Apply
Does not apply
Don’t Know

ASK ALL WHO CONNECTED STRAIGHT TO BROADBAND

Q16. Please tell me whether the following statements about choosing broadband rather than a different type of Internet connection, apply to you or not. Firstly…

a) I compared the prices of broadband with non-broadband and decided that the added features of broadband were worth the extra expense
b) Only broadband offered the Internet access features I was looking for
c) I was not happy with the speeds available from other Internet services and broadband offers me the minimum speed I need
d) I got broadband on the advice of family/friend/sales person/ advertising campaign

Apply
Does not apply
Don’t Know

ASK ALL WITH BROADBAND

Q17. How many hours would you say you <u>and</u> members of your household spend using the Internet <u>at home</u> in a typical week?

Less than an hour per week
1 –2 hours per week
3 – 5 hours per week
6 – 10 hours per week
11 - 15 hours per week
16 – 20 hours per week
21 – 30 hours per week
More than 30 hours per week
Don’t know

ASK ALL WITH BROADBAND

Q18. Broadband has the ability to make voice calls at the same time as using the Internet. How often, if ever, does your household use the home fixed line phone to make calls at the same time as using the Internet?

Frequently
Sometimes
Rarely
Never
Don't know

ASK ALL WITH BROADBAND

Q19. Which of these do you and members of your household use the Internet for?

Downloading music files, movies or video clips
Instant Messaging
Internet chat rooms
Listening to digital radio services
Playing games online/ interactively
Purchasing goods and services/tickets etc
Real time Gambling/trading/ auctions
Sending and receiving email
Sending SMS messages
Watching video clips, webcasts eg Big Brother etc
General surfing
Something else
Don't know

ASK ALL WHO PREVIOUSLY USED A DIFFERENT CONNECTION

Q20. And which of these weren't you able to do, or were of poor quality, using your previous connection?

Downloading music files, movies or video clips
Instant Messaging
Internet chat rooms
Listening to digital radio services
Playing games online/ interactively
Purchasing goods and services/tickets etc
Real time Gambling/trading/ auctions
Sending and receiving email
Sending SMS messages
Watching video clips, webcasts eg Big Brother etc
General surfing
Something else
Don't know

ASK ALL WITH BROADBAND

Q21. Realistically, what do you think you would do if broadband charges rose by [£2-3 if pay up to £34.99 currently / £4-5 if pay £35 or over currently] per month?

Continue to use broadband
Switch to different speed broadband service
Switch to a non-broadband service
Don't know

ASK THOSE WHO WOULD SWITCH TO A NON-BROADBAND SERVICE

Q22. And why would you switch to a non-broadband service rather than pay the additional cost?

ASK THOSE WHO WOULD SWITCH TO A DIFFERENT SPEED CONNECTION

Q23. And why would you switch to a different speed broadband service rather than pay the additional cost?

ASK ALL WITH BROADBAND

Q24. It is possible to obtain services such as email, a personal page on the Internet and protection against computer viruses in addition to your broadband connection. These are available, at little or no extra cost, from various service providers and you do not have to get them from the company that currently supplies your broadband services.

Can you tell me which of these statements best describes whether you were previously aware of this? Just read out the letter that applies.

A I was aware that I could get these additional services from various suppliers

B I was aware that I could get these additional services but only from my broadband service provider

C I was not aware that I could get these additional services

Other
Don't know

ASK ALL AWARE OF ADDITIONAL SERVICES

Q25. Do you currently use any of the following services? Firstly,

a) Email
b) Personal page on the Internet
c) Protection against computer viruses

Yes
No
Don't know

ASK ALL CURRENTLY USING ANY OF THESE ADDITIONAL SERVICES

Q26. And who supplies your [email/personal page on the Internet/protection against computer viruses]?

a) Email
b) Personal page on the Internet
c) Protection against computer viruses

Main broadband supplier
Someone else
Don’t know

ASK ALL WITH BROADBAND

Q27. When, you chose your broadband supplier, how important were each of the following in your decision? Firstly…

a) Low installation charge
b) Reliable and trustworthy brand name
c) Reliable email service
d) Your own personal page on the Internet
e) Low monthly charges
f) Being able to get broadband access, email services and a personal page on the Internet all from the same provider
g) A particular minimum speed

Very important
Fairly important
Not very important
Not at all important
Don't know

ASK ALL THOSE WHO ARE CONNECTED TO THE INTERNET AT HOME

Q28. How satisfied are you with the following…?

a) Your home Internet service overall
b) The speed of your home Internet service
c) The quality and reliability of your home Internet service connection

Very satisfied
Fairly satisfied
Not very satisfied
Not at all satisfied
Don’t know

Annex B

Ad hoc non-broadband customers questionnaire

ASK ALL USING UNMETERED NARROWBAND

Q1. How much do you pay each month for your “Dial-up”/ “ISDN”/”MAIN” Internet service? Please do not include any other phone charges or bills, only the subscription you pay for your “Dial-up”/ “ISDN”/ “MAIN” service

ASK ALL USING NARROWBAND

Q2. Which if any of the following statements describe problems you have experienced with your Internet service

I get problems connecting to the Internet or sometimes get cut off while I am using it

The speed is too slow for my needs

My current Internet connection seems slow in comparison to broadband services

I experience problems downloading large files or email attachments

I find it frustrating that I cannot use my phone or fax at the same time as using the Internet

ASK ALL USING NARROWBAND
Q3.What (other) problems do you experience with your Internet service? PROBE FULLY. What else?

ASK ALL USING INTERNET AT HOME, BUT NOT USING BROADBAND OR OTHER HIGH SPEED METHOD
Q4. Broadband Internet services offer faster Internet access and allow you to be permanently connected to the Internet for a set monthly fee. You do not have to pay call charges for the time you spend online, and you can use the same line to make voice calls while you are using the Internet.

Realistically, in the next 12 months, how likely is your household to consider replacing its current Internet access with broadband services at current prices? Prices for broadband start at around £18-£25 per month.

Very likely
Fairly likely
Not very likely
Not at all likely

ASK ALL LIKELY TO SWITCH TO BROADBAND
Q5. Why is your household likely to consider switching to broadband?

ASK ALL LIKELY TO SWITCH TO BROADBAND
Q6. Have you already looked into the possibility of switching to a broadband connection method? By this I mean actually seriously considered switching to a broadband connection, for example by finding out about prices or different options available?

ASK ALL USING NARROWBAND INTERNET
Q7. Now thinking about the charges for ANY Internet connection you have used in the past. Has the price of the service provided by ANY of your Internet service providers ever changed?

By this I mean a change in the price of the same service, not price changes experienced when changing to a different type of service.

ASK ALL STATING NARROWBAND PRICE HAS CHANGED
Q8. Did the price rise or fall?

ASK ALL EXPERIENCING NARROWBAND INTERNET PRICE RISE
Q9. What did you do when the price of your Internet package rose?

ALL USING UNMETERED NARROWBAND
Q10. Have you ever used a pay as you go package where you pay for *all* your calls whilst online, this might be in addition to a set monthly or quarterly charge?