futuresight

Unit 10, Utopia Village
7 Chalcot Road
London NW1 8LH
T: +44 (0)20 7449 4964
www.futuresight.co.uk

SWITCHING BUNDLED SERVICES

Exploring the impact of bundles on consumers' ability to shop around and switch

REPORT OF FINDINGS

MAY 2008

Prepared for: **Ofcom**

Riverside House

2A Southwark Bridge Rd

London SE1 9Ha

Contents

Section 1

Introduction

1.1 Introduction:

- Take-up of service bundling has increased considerably over the past two years with 40% of consumers bundling services in 2007 compared with 29% in 2005. Within the different bundles – combinations of fixed line, broadband and pay TV are the most popular - there are lots of different options of different bandwidths, TV channels, inclusive minutes / free calls, and in some cases, free hardware.

- The benefit of all this is that consumers might be able to find a better deal than if they purchased single services. The disadvantages might be that consumers find they are locked in for longer, find it difficult to make comparisons and avoid switching due to the complexity of navigating multiple switching processes (e.g. calling different suppliers, codes required, etc).

- Ofcom wished to commission research to investigate the impact of bundling in more detail.

1.2 Objectives:

- The overall aim was to understand the impact that bundles might have on consumers' ability to shop around and obtain the best deal through switching.

- To meet this aim, it was agreed that the research project should be divided into two phases:

  – Phase 1: To understand the value placed on bundles and to assess how much was understood about the switching process and how it was perceived by consumers who were not familiar with switching.

  – Phase 2: To understand the actual experiences of consumers switching a bundle to another provider and to assess to what extent the process acts as a barrier to switching.

1.3 Phase 1: Scope

We conducted 6 x 1.5 hour focus groups in total with Non Switchers

- 4 groups with bundlers, as follows . . .
  – 1 group with Triple Play customers
  – 2 groups with fixed line and broadband only
  – 1 group with fixed line and Pay TV

- 2 groups with single sourced suppliers, as follows . . .
  – 1 group with fixed line and broadband
  – 1 groups with fixed line, broadband and Pay TV

- All respondents had not considered switching in the past 12 months or had considered the idea but had taken no action in the past 12 months.

- All respondents did not reject the idea of switching all or part of their bundle or their single source suppliers

- The areas we addressed included:

  - Perceptions of their current package, including the value of their bundle
  - Attitudes to unbundling[1] and switching
  - Awareness of alternative offers / ease of making comparisons
  - Understanding of contract
  - Perceptions of current switching processes
  - Attitudes towards specific scenarios and the impact on their propensity to switch if:
    - Unbundling – reverting to separate suppliers for each product
    - Switching entire bundle to another supplier
    - Re-bundling e.g. moving from a landline/broadband combination to broadband/mobile package

1.4 Phase 2: Scope

- We recruited 23 consumers with a bundle of services[2] who were considering switching to record their experiences of the process and then review these with us. We also interviewed another 7 respondents who had already switched in the past 3 months. The sample included a mix of bundles and providers. (see Annex for full details).

- The areas we addressed included:

  - Reasons for considering switching
  - Expectations of the process – elements perceived as easy / difficult
  - Overall positives / negatives
  - Information sources considered / used (e.g. friends, media, providers, etc)
  - Attitudes to resources / assistance in the process
  - Pain points / successes – ways in which these were managed
  - End results – switched / reasons for subsequently deciding not to switch
  - Opportunities for improvements with the switching process

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[1] Unbundle = to move one or more service from a bundle to a different supplier
[2] Bundle = taking multiple services from a single supplier, this may include a discount

Section 2

Executive Summary

Phase 1 – Non-Switchers

Consumers' value bundles for their perceived cost benefits and ease of management and the more services bundled, the higher the perceived value.

Triple play consumers (fixed line, broadband and Pay TV) saw these combined services very much as a package and the special deal linked to all 3 services and the combined bill was valued highly.   Consumers with a fixed and broadband bundle similarly valued the single bill, and the combined services were valued by some for their perceived cost benefit and by others for added reliability. Fixed and Pay TV combinations tended to be seen as two separate services rather than a package and were less valued than other bundles.

Consumers with bundles were averse to the idea of unbundling because of the value they placed on having bundle services

Triple play bundlers valued their package to such an extent that the idea of unbundling to achieve cost benefits or better customer service was generally not a consideration. Similarly, consumers with a fixed line and broadband bundle found the idea of unbundling unappealing for a variety of reasons, but primarily because it would rule out a single bill. Consumers with a fixed and Pay TV bundle were more willing to unbundle their package because the bundle was less valued.

If consumers with a bundle were to switch, there was a clear preference for switching the whole bundle. But there was widespread resistance due, in part, to perceptions of the switching process

Consumers were resistant to the idea of switching their bundle because they were generally happy with their current supplier and perceived their package to be good value. In addition, there were some widespread perceptions, particularly among fixed and broadband bundlers and fixed and Pay TV bundlers, that the process was likely to be complicated and might include a break in service. So, for most, a moderate reduction in costs was just not worth the hassle.

Consumers with single source suppliers were attracted by the idea of bundled services but were sceptical of the benefits rather than put off by the process

Quality of service was important as many were home workers and they were sceptical that companies offering multiple services could operate in the same way as the specialist suppliers they currently used. These consumers also appeared happy with their current services and were somewhat sceptical about the costs benefits and a single customer service point for all services. There was also some concern about being tied into a bundle and not being able to switch easily.

Consumers tended only to take an interest in offers when their contract was nearing an end and most were unaware of contractual details

Generally consumers felt that there was an overwhelming amount of information pushed to them on a daily basis but this was mostly overlooked and there were no mentions about difficulties comparing offers. Understanding of contractual details was generally limited to the length of the contract, the price and the amount of free calls, but awareness of penalty fees for early termination was negligible as most would unquestioningly see out their contract. As a result, contracts did not appear to affect consumers' likelihood to switch / shop around.

The switching process was generally perceived to be time consuming and problematic and consumers were often not aware of what was involved

Across all the audiences, when asked about the process without reference to any services or bundle, consumers thought it would mean calling up suppliers, some downtime of services and possibly days off work for engineers – and this view was backed up by the few who had switched in the past. Awareness of what was involved in the switch was also limited to the more generic issues, such as research into offers and cancelling providers – only a few were aware of other requirements such as the need to provide codes.

But consumers did not feel that switching a bundle should be any more difficult or problematic than switching a single service

The majority believed, or at least wanted to believe, that switching a bundle would be handled entirely by the new supplier and this was considered far easier than unbundling, which would involve communicating with 2 or 3 suppliers at the same time. A minority thought that switching a bundle would be of the same complexity as switching 2 or 3 services at the same time. Unbundling was the least favoured option whereas switching the whole package was thought to be the easiest and therefore the most favoured option.

Executive Summary

Phase 2 – Live Switchers

Consumers intended to switch their services as a bundle rather than unbundling

There was just one exception who wanted to unbundle to use a specialist broadband supplier – for all the rest, they intended to switch their services as a bundle (mostly fixed line / broadband) or to add another service to their bundle (generally a Pay TV service).

Consumers' experiences of switching varied enormously - the key influences appeared to be the providers and the consumers rather than the process

Consumers tended to follow the same process i.e. contacting their current supplier in the first instance - and yet their experiences were hugely varied. The variety in the quality of consumers' experiences was due to the huge number of different influences at different stages of the process. These included the set up, environment, knowledge and attitudes of the consumers as well as the products and customers service of the providers.

Unlike Phase 1's non-switchers, these consumers expected the switch to be relatively straightforward

Most were unaware of what was involved in the switch but expected the process of switching a bundle to another supplier would be easy, although a few accepted that there might be some difficulties with engineers The sample included those who wanted to switch due to long-term service problems and those who wanted a better deal.

Consumers used a variety of different sources to research the market and, whilst some provider websites could have been clearer, none were put off because they were unable to find what they wanted

Most consumers went through similar research steps involving some combination of friends, family, on and offline sources. Some felt that this phase was somewhat time consuming – providers websites lacked transparency and consumers had to call providers direct – and as a result the most trusted source of information was friends and recommendations. However, most felt sufficiently well informed to select a supplier and none subsequently decided not to switch at this stage.

Signing up a new provider and cancelling their existing provider had a striking impact on consumers' experience and switching outcome

Cancelling suppliers was generally full of delays, obstruction and pressure to stay, and, notably, half of those intending to switch did not end up switching. The exceptions were the few occasions when the new supplier took on responsibility for the switch and the consumer was not required to do anything.

Consumers who had endured service problems appeared more likely to switch than those looking for a better deal

Consumers' reasons for switching did not appear to define the quality of their experience but there was an indication that those switching just for a better deal were less likely to switch than those who had ongoing service problems. As evidenced by the numbers who stayed with their existing provider, providers were very adept at obstructing potential switchers and enticing them to stay with special deals.

The majority of consumers felt their switching experience had been frustrating or very bad

A minority – about a quarter of the sample – felt their experience had been fine or acceptable. The remainder felt their experience had been somewhat frustrating or, in about a third of cases, extremely frustrating. There did not appear to be any pattern to whether a consumer would have a good experience or not, although technical literacy, flexibility regarding downtime and unreliable engineers appeared to contribute.

Conclusions - Overall

Attractive prices and ease of management are valued highly and consumers are attracted to bundles because of these benefits – and the more services bundled, the higher the value placed on that bundle.

Consumers are looking to switch their services as a bundle rather than unbundle to individual suppliers and there appears to be sufficient information for them to shop around and find the comparative information they need.

There is some evidence to suggest that perceptions of the switching process are acting as a barrier to switching – but not exclusively and in varying degrees, depending on the reasons for switching, the consumer and the bundle.

- Generally, consumers with ongoing service issues will consider switching regardless of their perceptions of the process, whereas those just wanting a better deal may be more easily put off

- Consumers appear to be largely unaware of what might be involved in the switching process and appear to fall into two groups in terms of their perceptions of the process – those who are resistant to change, expect problems and would only consider switching if their services did not work; and those who think the process is relatively straightforward and would consider switching to get a better deal.

- It does also appear to be the case that the more services bundled, the less interest in switching – Triple Play customers were largely averse to switching because there are few alternatives and they appeared to be happy with their package.

Current perceptions of the switching process do appear to be having an effect on the switching behaviour of some consumers with fixed and broadband bundles. Broadband appears to be the key service for many and there is some evidence to suggest that a seamless process with no downtime might provide the reassurances to stimulate the more hesitant consumers to consider switching.

The reality of the switching process appears to be similar to the majority of non-switchers' perceptions (phase 1) and rather different to most consumers' expectations in phase 2. About 1/5 of the sample were happy with the overall experience, the remaining 4/5 felt frustrated or very frustrated.

The key pain point is at the cancellation stage – existing providers appear to have developed a number of different and very effective ways to encourage their customers to stay e.g. negotiating a better deal – particularly those who were not unhappy with their service and were looking for a better deal.

Overall, there are a number of different influences on whether a consumer will consider switching of which perceptions of the process is an important consideration but not the only one. There are indications, however, that the more services bundled, the higher the value placed on the bundle, the less inclination to switch and the greater perceived complexity of switching, particularly if there is a need to unbundle.

The outcome and the experience of the process appears to be defined more by what the consumer brings to the process and the manner in which the consumer is treated by their existing and new provider, rather than due to any complexity within the process itself.

It is also clear that, whilst consumers do have some influence on the quality of their experience, it is largely down to the providers and there appears to be very little consistency in how they behave - from this small sample, one consumer type seems as likely to have a good or bad experience as another consumer type.

Section 3

Phase 1: Main Findings

Value placed on their current set up – by audience

3.1 Triple Play Bundlers

- Triple Play Bundlers were keenly aware of the special deal linked with take up of all 3 services and this, combined with paying with one bill, meant their set up was very much seen as a package.
- Some Pay TV customers appeared to make a distinction between a package in terms of payment and a package in terms of delivery, but there was no mention of the term 'bundle' in this context – bundles tended to be associated more with mobile phone offerings, e.g. text and voice options.
  - *"It's a package in the sense I pay for it as one but there are 3 different services under one company as one can go wrong without affecting the others"*
- The triple play package was highly valued in terms of cost and the convenience of a single bill and some also felt that bundling all 3 services might encourage their supplier to value them more highly.
- Overall, perceived disadvantages to their bundle were very limited. A minority had been concerned at sign up that reduced costs might have implications on the quality of service, but these concerns were offset by the benefits and because the providers were seen as established brands. Just one felt there was a degree of tie-in if there were problems with one service.

3.2 Fixed and Broadband Bundlers

- This segment appeared to be divided into those who were more motivated by cost and those who were more motivated by quality of service.
- Consumers motivated by cost had signed up because of the combined deal and tended to see their combined services as a package. Consumers motivated by quality of service tended to see it as a combination of two separate services from the same supplier.
- Ease of management by having one bill was valued highly by all. For the cost conscious the deal offered by combining these services was also valued and, for those more concerned about quality of service, there was a sense of increased reliability by combining services with one company.
- There were very few perceived disadvantages to this bundle – for almost all, fixed and broadband were seen as a logical combination of services. The only concerns mentioned were the possibility of a cheap deal impacting on service quality, leaving consumers contractually tied-in to a poor service.

3.3 Fixed and Pay TV Bundlers

- The combination of these services tended to be seen as two separate services from one supplier rather than a package – even though consumers were aware of the deal on costs, a single bill, etc

- Take up of this combination appeared to be as a result of deliberately having broadband services with another supplier rather than this being a package in its own right. Most had wanted triple play but had avoided taking up the broadband service because of poor past experiences or poor reviews, and in one or two cases, it meant changing their email

- As a result this bundle did not appear to be valued as highly as other bundles.

3.4 Single Source Supply

- Consumers with single source supply appeared to fall into two groups

  - Small Office / Home Office and home workers who had chosen specialist suppliers for each of their services

  - Conservative non-switchers who been recommended their suppliers and had been with them for a long time

- Quality of service and reliability were key drivers for this audience, and, although the idea of bundling services together was attractive for ease of management, there was some scepticism that companies offering bundles could offer the same level of service and reliability as a specialist supplier. This audience also felt that it was easier to shop around and change with single suppliers, although they appeared less likely to switch.

Attitudes to unbundling / bundling – by audience segment

3.5 All segments

- Mobile was seen as different from fixed, broadband and Pay TV services and the vast majority did not think of bundling mobile services with their other services because . . .

  - Most had been with their current supplier for some time and felt some degree of loyalty

  - Their current supplier offered deals to keep them as customers

  - Contracts with mobile phones appeared to be much more front of mind than other services

  - Timings of contract ends might not tie in with other services

  - Some thought their mobile numbers might have to change if moving to a new supplier

- As a result, when considering bundles, consumers tended to think of fixed, broadband and Pay TV only

3.6 Triple Play Bundlers – tended to be unlikely to switch or unbundle

- Unbundling and switching supplier was generally not a consideration for this audience – for the majority something had to be very wrong or the price had to be significantly better than their current deal for them to even consider a move

- Unbundling services was largely seen as a backward step which might include a probable increase in costs, multiple bills, greater exposure to problems with more than one supplier and navigating a complicated change process. For cable only customers, additional costs of installing a fixed line, plus bans on externally fitted dishes was an additional barrier

  – *"Having to research all these offers and then manage 3 different suppliers, there's no way I could be bothered"*

- If they were to change supplier, there was a clear preference for moving the whole package rather than unbundling to individual suppliers – but, even then, there was widespread resistance due to

  – General contentment with their current services

  – Their current package was seen as very good value

  – Lack of alternatives for all 3 services together

  – Concerns about service and reliability of other suppliers

  – *"I'm in a comfort zone in a package, more secure. Perhaps I would be more easily swayed if I had just one service with one supplier but now I wouldn't move them as individual services – it would have to be a package otherwise it's pointless"*

3.7 Fixed and Broadband Bundlers – tended to be unlikely to unbundle but open to idea of switching

- For most, the idea of unbundling these services did not appeal because it would rule out the convenience of a single bill.

- The cost conscious also felt that unbundling would increase costs and those motivated by good service felt there were a range of alternative suppliers offering these services as a package so unbundling was not necessary.

- If these consumers were to switch, there was a clear preference for switching the whole package. However, even switching the whole package was only likely to take place if something was very wrong with the current service or the cost benefit was very significant – otherwise most could not see the point.

- General levels of satisfaction and a widespread perception that the process was likely to be complicated were the barriers to unbundling / switching. A moderate reduction in costs was not compelling enough to go through this perceived process and for those interested in quality of service, the potential break in service – for broadband in particular – was a real concern

  – *"If it's working, why fix it – certainly not to save a few quid, you're just asking for trouble".*

- When presented with the idea of a seamless switch arranged by their intended supplier, respondents were considerably more positive towards the idea of switching.
  - *"If it's all done for me with no hassle and guarantees of continued service, then sure I'll think about switching*

3.8 Fixed and Pay TV Bundlers – willing to unbundle and/or switch landline

- There was a greater willingness to unbundle and/or switch among this audience (so long as they were not solely dependent on cable)
- Fixed lines were seen as the easiest service to unbundle and switch so long as the infrastructure was in place – although most could not see any significant advantage. Switching Pay TV was seen as more problematic – involving engineers and, possibly, a dish installation which was often not allowed on certain buildings
- There was also some scepticism towards bundling all services with one supplier – many felt that the market was not yet mature in terms of delivery and customer service.

3.9 Single Source Supply – open to idea of bundling but concerns about service levels and switching process

- Several had considered moving to a bundled offering – the advantage of potentially reduced costs and the ease of a single bill was attractive and many admitted that this was the type of service they would like to have.
- But there were a number of reasons why they had not yet bundled
  - A general level of satisfaction with their current supply
  - Concerns about quality of service / reliability – for broadband, in particular
  - A perception that the cost benefits were not significant, if at all
  - A general concern about being tied into one company and unbundling a single service if there were problems
  - Different customer service departments for different services so only a bundle in terms of payment
  - Possibility of having to change telephone number or email address.
- Perceptions of the switching process were mixed. Some felt that this would be problematic and the potential benefits were not worth going through this process; others felt that bundling should be relatively straightforward as the new supplier should take care of the process.

Consumer awareness of products, offers and contracts

3.10 Awareness of products and offers

- Overall, consumers felt there was a vast amount of information pushed to them via advertising, leaflets, newspaper and magazines, as well as sales calls – and, for many, this was overwhelming and generally overlooked.

- Active researching of the market tended to happen when consumers were nearing the end of their contract (generally mobiles) and / or when there was a problem with their service and they were considering a change.

- In these circumstances consumers used a variety of different sources, including word of mouth, price comparison sites, TV, print and other media. Word of mouth / recommendations were considered the most trusted source of information about quality of service and had an influence on which services and suppliers should be avoided.

- There were no explicit mentions about difficulties in comparing different packages.

3.11 Understanding / impact of contracts

- Contracts tended to be thought of in relation to mobile services rather than other services. Unless consumers had signed up recently to new fixed, broadband and/or Pay TV services, awareness of contracts with these services was limited.

- Understanding of contractual details was generally limited to the length of the contract, the price and the amount of free calls / texts. Awareness of penalty fees or early termination fees was negligible as most consumers would see out their contract out.

- Aside from issues of poor service and contractual tie-ins, which caused considerable upset, contracts did not appear to affect consumers' likelihood to switch / shop around. The only concern, for most, was ensuring the timing was right so that the switch did not mean a break in service.

The switching process and responses to different switching scenarios

3.12 Perceptions of the switching process

- Consumers' perceptions of switching – without reference to any services or any bundle – were that it was, in varying degrees, both time consuming and problematic
  - *"It'll involve me having to ring up several companies, find out contracts, cancel them, it's a headache thinking about it"*
  - *"Have to take a day off, wait for an engineer who doesn't show up"*
  - *"There's definitely going to be a break in service which I can't afford".*

- These responses were largely consistent across all the segments and were backed up by those who had some experience of switching in the past
  - *"My broadband service was down for 7 days last time I switched – never again".*

3.13 Understanding of the switching process

- Aside from the few who had been through the process, consumers' understanding of the process included some combinations of the following:

  - Researching the market
  - Calling new supplier(s)
  - Calling current supplier(s)
  - Giving notice – possibly in writing
  - Cancelling direct debit(s)
  - Booking an engineer
  - Taking a day off work

- Awareness of the need for exchanging codes was limited to the few who had been through the process of switching broadband and mobile services more than 12 months ago

3.14 Comparison of switching bundles versus single services

- Consumers' perception of switching services appeared to depend on whether the process involved unbundling the services or switching the entire bundle to another supplier

- The process of unbundling services and switching was considered complex and time consuming – in effect the same as switching 2 or 3 single services at one time.

- But perceptions of switching a bundle to another single supplier varied and was divided between:

  - The majority who wanted to believe that the process would be handled entirely by the new supplier and therefore perceived switching to be no different to a switching a single service.

  - And the minority – generally those who had been through some switching process in the past - thought this process would be the same complexity as switching two or three individual services at the same time.

3.15 Response to different switching scenarios

- Across the segments, responses to different scenarios were very consistent

- Unbundling was unanimously considered the most problematic and the option least likely to be considered

  - Contact was required with 3 companies and therefore seen as 3 times the work

  - There was a perception that each company would try to sell you additional services

  - This route required the most time, with possibly more than one engineer and more than one day off work

- Switching the whole package was considered the easiest of the 3 and the most likely to be considered

  - Most consumers had expectations that the new supplier would take on the responsibility and make the process relatively easy

  - It meant involving only 2 companies, although there were some concerns that this might require dealings with different departments.

- Re-bundling was also felt to be relatively easy as the customer would only be dealing with their current supplier – the only concern was that there might be a need to deal with different departments.

Section 4

Phase 2: Main Findings

The Switching Experience – Key Influences

4.1 Overall

- Consumers' experiences of the switching process varied enormously and appeared to be based almost entirely on the consumers themselves and what they brought to the process, and the providers and how they behaved with the consumers.

- The influence of the process itself appeared to be rather more limited. Most felt that the process was not particularly complex but it was the interplay between customers and suppliers that often resulted in a very problematic and difficult experience.

4.2 Consumers

- Consumers varied enormously in terms of the services they owned, knowledge, environment and personality – and all of these had an influence on their switching experience to some degree. The key elements of influence included:

  - Accommodation status – a flat, listed building or communal flat was an important consideration if installing cable or an external dish as there were management regulations to be considered

  - Working Status – those working full time in an office would be more affected by a visit from an engineer than someone more part-time / working from home

  - Lifestage – having support from family / younger relations appeared to have a significant influence on some of the elderly and less technical

  - Technical literacy – often translated into confidence to ask the right questions and some consumers felt more comfortable with technical issues than others

  - Communications need – some consumers had zero tolerance of downtime, others had access elsewhere and were more accepting

  - Previous experience with switching providers – generally those that had switched before were more hesitant and suspicious than those that hadn't

  - Personality / attitudes to change – consumers who were more shy or resistant to change would tend to see things differently to those who were more confident and accepting

4.3 Providers

- The providers also had considerable influence on the outcome and switching experience – the existing provider in particular. The areas where providers appeared to influence most were . . .
  - Current service provision from the existing provider – if this was the reason for switching rather than simply price, then this could have a significant effect.
  - Customer services – responsiveness, consistency of response, keeping records, knowledge, language and understanding all were very influential on consumers' experience
  - Technical installation and administration – arranging for technicians and the timing of visits had a considerable effect on full-time workers, for example

4.4 Outcomes

- Whilst there were lots of variables that appeared to have an impact at some point in the process, there was no consistent pattern in terms of a positive or negative outcome. From the small sample in this study, a young technically literate full-time worker was as likely to have a good or bad experience as an older less technically literate part-time worker switching the same bundle from the same supplier to the same new supplier.

The Switching Process – Key Stages

4.5 Overall

- With one exception, all participants intended to switch their services as a bundle (mostly fixed line / broadband) or to switch and add to their bundle (generally a Pay TV service). The exception wanted to unbundle to use a specialist broadband supplier
- Generally, consumers appeared to follow the same steps when considering switching and the following were key stages in terms of switching experience and outcome
  - Reasons for considering switching
  - Expectations of the process
  - Researching the market, including experiences and value
  - Signing up and cancellation
  - Installation & de-installation

4.6 Reasons for considering switching

- Reasons for considering switching were largely down to price and ongoing service issues, including
  - Unable to access some TV channels
  - Slow, intermittent, unobtainable broadband service
  - Billing issues
- And, as a result of these service issues, poor customer service was also a key reason – compounded by a common requirement to call 0870 numbers
- Moving house became the reason to switch for 2 respondents who had intended to take their services and telephone number with them, but misinformation and mistakes meant both decided to switch

4.7 Expectations of the process

- Consumers' expectations of the process varied between blind optimism and more guarded scepticism
- The majority felt the process would simple and straightforward, although for some there was a small degree of anxiety; several felt it would involve just a few phone calls and a minority thought it would all be handled by the new provider. One thought it could be done online.
- The remainder anticipated some difficulties – several calls, visits from technicians, etc – although these were seen as acceptable and were expected. Just a minority – generally those with previous poor experiences or who were averse to change – thought it would be difficult, painful and include downtime of services.

4.8 Research Process, Experiences and Value

- Many were prompted by advertising, direct mail or friends and then almost all conducted their own research, using a variety of sources . . .
  - Online – provider sites, price comparison sites, peer reviews
  - Magazines / Newspapers
  - Telephoning the providers
  - Friends and family
- The extent of research varied considerably – the less confident tended to rely more heavily on their friends and family, compared with the more confident / savvy who conducted most of their research online
- Attitudes towards information sources varied considerably. Recommendations from colleagues, friends and family were seen as the most trusted source and often the deciding factor in selection, but attitudes to online sources were very mixed . . .

- Impressions of providers' websites were generally poor – most thought these were confusing, difficult to decipher with hidden costs contained in the small print

- Impressions of comparison sites were more positive – most felt these were clear and useful, although a few thought they were contradictory and confusing

- Several commented on the lack of explanation online about cable / DSL differences and the implications of changing between these platforms

  "They're all about sales and pushing bundles – it's very difficult to unpack exactly what you want and if you're an existing customer, there doesn't seem to be anything for you" (Non-Switcher)

- Impressions of calls to providers varied but were generally felt to be helpful (if the consumer got through).   The tenor of the response to the enquiry was often a deciding factor in consumers' selection – and providers appeared to be somewhat inconsistent in the way they responded to similar enquiries

  - *"They took me through the process and explained in detail what I needed to do" (Switcher)*

  - *"I was on hold for ages, and when I finally got through they didn't seem that interested in my questions" (Switcher)*

  - *"It all depends on who you get – sometimes they know their stuff, other times you feel like they're reading from a script" (Non-Switcher)*

4.9 Signing up and Cancellation

- Experiences of signing up were generally good – most consumers felt they were given clear instructions about what needed to be done and the timescales

- There were some exceptions and inconsistencies . . .

  - Signing up to one provider as a new customer was not possible for all 3 services and had to be staggered, contrary to expectations and the published information

  - Another found their provider vague even though they took over the process and delivered on time

  - One provider did not explain to two customers the cost implications of switching from cable to DSL

- In direct contrast, calling providers to cancel was, for almost everyone, a very poor experience and involved delays, frustration and pressure

- For switchers going through the MAC[3] process, the MAC code was an issue. Some consumers were told it would take 7-10 days and then would not hear anything; when they called back, there would be no record and the process would have to start all over again.

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[3] MAC code is a Migration Activation Code used by customers when they want to switch their DSL provider

- There was almost no awareness that providers were legally obliged to hand over the MAC within 5 days – most consumers thought it was 7-10 days because that was what they had been told by their provider. One consumer suggested that, to mitigate providers' delaying tactics, MAC codes should be kept by an independent body

  - *"It's just ridiculous that the provider should be obstructive and try to delay matters – if I want to leave and I'm not in contract I should be able to"*

- Some were surprised to be told they were in a contract and had to pay termination fees – they had moved house, been sent a router or had agreed to reduced call rates but had not been told of any change in contract status, nor had signed anything.

- All were subjected to questioning about their reasons for leaving and then relentlessly offered deals to encourage them to stay.

- The difference in the service provided by providers when consumers wished to sign up and when they wished to cancel was significant.

4.10 The effect of the sign-up / cancellation phase

- The effect of this part of the process on the outcome – i.e. whether a consumer actually switched or not – was significant.
- The 23 participants took one of 4 different routes through the process with the result that 11 ended up staying with their existing provider and 12 switched – as described below
  - Route 1: 3 participants out of 23 identified their new supplier, called up and the new supplier took all responsibility for switching them over. The participant did not have to make another call.
  - Route 2: 4 participants out of 23 identified their new supplier, discovered they were still in contract but decided to pay it off and cancel their existing provider and then switch.
  - Route 3 / 4: 16 remaining participants identified a new supplier, were out of contract and called to cancel their existing provider. Of these, 11 did not switch and stayed with their existing provider, and 5 went on to switch.
- It is interesting to note that participants in Route 1 and 2 appeared to be faced with situations that were different from the majority. In Route 1, they were fully assisted with the switch and this encouraged them to go ahead. In Route 2, it was clear that participants were so unhappy with their existing provider that they paid off the contract and switched regardless.
- Routes 3 and 4 included the majority of participants and a combination of those who had service issues and those who were switching for price only. It is interesting to note that of the 16 participants who called up their supplier to cancel, just 5 went on to switch and 11 stayed with their existing provider. Providers appear to have been effective in retaining their customers, though whether the experience is pleasant for consumers is more questionable.
- There was no pattern in terms of why some consumers switched and others did not and, from this small sample, it would be difficult to draw any conclusions in any one direction. However, there was some indication that those who had serious service issues were more likely to continue through the process than those who were interested in a better price alone – and it is the latter audience that providers would appear to be so effective at retaining.

4.11 Installation / De-installation

- Consumers involved in this phase were switching:
  - From analogue to cable (requiring installation of the cable equipment)
  - From cable to analogue (requiring installation of a ixed line)
  - And expanding their bundle to include Pay TV
- All of these scenarios required a visit from a technician and problems with no-shows and inexperienced staff contributed to a very poor experience for about half of those consumers needing installation or de-installation

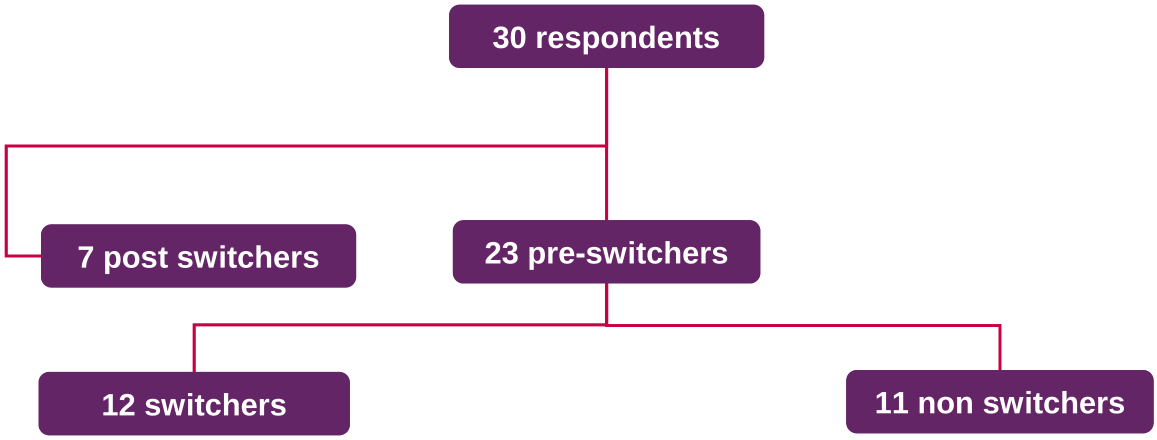
– *"Having taken time off for the 3rd time and they still didn't show, they asked me to call back with the calling card of the engineer, who hadn't turned up, in order to qualify for the next visit – how would you feel?" (Trying to cancel provider)*

- In addition, one fixed line provider reportedly only installed in office hours so full-time workers need to take time off, and several were not made aware of building regulations for external dishes.

Outcome and Experiences

4.12 Overall

- Out of 30 participants, 23 were pre-switchers and 7 were recruited post switching. Of the 23 pre-switchers, 12 switched and 11 stayed with their supplier, leaving a total of 19 switchers and 11 non-switchers



Out of 19 switchers

- 6 thought their experience had been fine
- 6 thought their experience was frustrating but within expectation
- 7 thought their experience was poor to terrible

Out of 11 non switchers . . .

- 6 were happy with the end result but felt somewhat manipulated by their provider
- 5 were so frustrated with the experience that they dropped out

- In total, out of 30 participants
  - 6 thought their experience was fine
  - 12 thought their experience was frustrating but acceptable
  - 12 thought their experience was poor to distressing

4.13 Switchers

- Switchers included a mix of those consumers who wanted a better price and those who were frustrated by service issues.

- There was no consistent pattern to whether a consumer had a good or bad experience in terms of the bundle they were switching or the providers they were switching from or to. However, there was some sense that those who had a good experience tended

  – To be technically literate

  – To have conducted extensive research and understood the process

  – To be able to accommodate visits during the day

  – To have had no contractual issues

- But there were exceptions, just as there was little or no pattern to the type of switchers who had had a poor experience – all of these suffered to a greater or lesser extent with one or more of the major painpoints . . .

  – Ongoing poor service from their existing provider, including obstructive delaying tactics, for example, when handing over the MAC code

  – Contractual issues / unexpected termination fees

  – Relentless sales pressure to stay with their existing provider

  – Repeated technician delays

  – Repeated issues with technician visits

4.14 Non Switchers

- Similar to switchers, non-switchers included a mix of those consumers who wanted a better price and those who are frustrated by service.

- Again, there did not appear to be any pattern amongst consumers who did not switch and were happy and those who were not – though there were indications that those who knew least about the process and were simply looking for a better deal tended to feel better about their existing provider supplier than those who had conducted more research.

- Interestingly, those who had the worst experience and had subsequently decided not to switch due to ongoing issues with their supplier appeared to be IT literate and confident.

Annex 1

Topic Guide – Phase 1

1. INTERVIEWER INTRODUCTION

Explain we are working for Ofcom, the regulatory body for the communications industry. One of Ofcom's responsibilities is to make sure service providers offer consumers competitive prices and appropriate levels of service for fixed line, mobile, pay TV and internet.

Reassure that we are not selling anything and this is not to be used for marketing purposes. Nor is it a test, rather a chance for them to tell us what they think. Usual reassurances about recording, confidentiality, etc

2. RESPONDENT INTRODUCTION

- A little bit about them, their family, where they live, where they're from, etc

3. **Perceptions of their current package – definition / value**

Explain that we'd like to learn a bit about the services they have and suppliers they use . . .

- Which services do they have and which suppliers do they use?
- How long have they had this set up?
- Perceived benefits (e.g. reduced costs, ease of management)
- Perceived disadvantages (e.g. contractual tie-in, hidden costs, etc)
- Have they thought of changing – if not, why not; if yes, why and to what?

4. **Attitudes to bundling / switching**

- How would they feel about taking more than one service with a single supplier – either with a current supplier or switching supplier
- In what circumstances can they imagine doing this? What would be the drivers for this?
- What might be the barriers for them to do this? Explore fully . . .
- How influential would these drivers / barriers be to actually switching / not switching?
- What services might they consider, would they not consider bundling / switching – all or some?

5. **Awareness of alternative offerings / ease of making comparisons**

- Do they keep an eye on the market? Why / why not?
- What are they looking for?
- How do they find out about different offerings / suppliers?
- Is this easy to do – why / why not? Where's the difficulty, if any?
- Where do they go for information? What do they find most useful / least useful?
- Is the information meeting their needs? What would they like to have?

6.	**Understanding of their contract(s)** – Do they have a contract? For which services? – How much do they know about the details? – What do they think of their terms? – To what degree does this affect their likelihood to shop around? – What tends to happen when they come to the end of their contract – renegotiate / switch? What would they like to at this time?
7.	**Perceptions of switching processes** – What is their awareness / understanding of the current processes required to bundle / switch? What do they think they have to do? (e.g. who to call, when, information needed) – How do they think these processes compare with those who already have more than one service from a single supplier – do they perceive one as being easier than another? Why? – What are their impressions of the following scenarios . . . ▪ Bundling all of their services with one supplier ▪ Switching and bundling two of their services with one supplier; keeping other services separate ▪ Switching individual services to other individual suppliers For each scenario. . . ▪ Perceived ease / difficulty ▪ Processes involved ▪ Assistance available / required ▪ Likelihood to go ahead – reasons for / against
7.	**Review, thank and close.**

Annex 2

Phase 2: Methodology

- The total sample consisted of 30 consumers who had 2 or more services with one supplier
  - 23 were pre-switchers, i.e. were considering switching within the next two months
  - 7 were post switchers, i.e. had switched their supplier with the last 3 months
- With one exception, all participants intended to switch their services as a bundle (mostly fixed line / broadband) or to switch and add to their bundle (generally a Pay TV service). The exception wanted to unbundle to use a specialist broadband supplier
- Each of the pre-switchers was set up with a personal, password-protected webpage and asked to record their experiences as they progressed through the switching process
- We then conducted individual interviews with all the respondents to review their experiences.
- The interviews were conducted between February and April 2008.