



The Consumer Experience,
2015

Research Annex

Publication date: 10 February 2016

About this document

This annex accompanies the Consumer Experience Report 2015 and contains data covering pricing of services, levels of engagement and switching, and consumer satisfaction in the communications and postal markets.

As shown in the dashboard in Section 1 of the Consumer Experience Report 2015, a variety of data sources were used in compiling the report. For data that have previously been published by Ofcom, we have provided web links to relevant documents. Key data that we have not previously published are included in this annex.

Information about, and access to Ofcom research and market intelligence data can be found at <http://stakeholders.ofcom.org.uk/market-data-research/>

Contents

Section		Page
1	Executive summary	1
2	Pricing of services: Consumer price and value	4
3	Consumer engagement	31
4	Consumer satisfaction	55

Section 1

Executive summary

1.1 Pricing of services

- **Telecoms markets in the UK continue to serve consumers well in delivering choice and value.** Average household spend on communications services has fallen in real terms (i.e. after having been adjusted for inflation), while the performance of some services has improved considerably, particularly in relation to the faster speeds associated with superfast broadband and 4G mobile services.
- **There are, however, some trends that could pose a risk to consumer outcomes.** While in general there is considerable choice in the market and consumers are able to obtain good deals by shopping around and purchasing a bundle of services from the same provider, there are three distinct price trends that could pose a risk to consumers, particularly for unengaged or vulnerable consumers. We therefore intend to examine these further over the coming year.
 - **Line rental prices have been steadily increasing.** These price increases seem likely to have been driven by a number of market trends, including falling fixed voice use and a shift away from usage-based pricing towards access-based pricing. They may also reflect a shift in the focus of competition between fixed providers towards the price of broadband and away from the line rental fee. Increases in line rental prices particularly affect the 10% of UK households that have a fixed voice landline but no home internet access) as they do not benefit from competition in the broadband market.
 - **There is evidence of an increased focus on promotional discounting.** The growing gap between promotional prices and standard 'list' prices increases the likelihood that consumers who are not engaged with the market will not get the benefits of competition that are available to engaged consumers, so may face increasing prices.
 - **Increasing complexity in pricing may lead to poor decision making.** Bundling, discounting, time-limited offers and an increasing number of packages and permutations are all making it more difficult for consumers to compare services, which will tend to increase the likelihood that they will make sub-optimal choices.

1.2 Consumer engagement

- **Since 2014 there has been an increase in the proportion of 'engaged' consumers in each of the broadband and TV markets, and levels of interest have been maintained.** Over the past 12 months there have been small but significant increases in engagement in the broadband (from 14% to 18%) and TV (from 8% to 11%) markets (at a total market level). Engagement levels have returned to levels comparable with those in 2013 in both the fixed-line (14%) and mobile (18%) markets.
- **Switching levels have increased in most markets, following a dip in 2014, and are broadly comparable with those reported for gas and electricity.** Switching (in the last 12 months while remaining at the same address) in the fixed-line and

mobile markets each increased by three percentage points since 2014 (from 6% to 9% for fixed-line and from 7% to 10% for mobile). Just under one in ten (8%) consumers had switched broadband provider, but switching remains lower for the main TV provider, at 4%. The increase in switching in 2015 follows a decline in all markets except TV in 2014, and brings levels closer to those reported for gas (10%) and electricity (11%).

- **One in ten consumers with a dual (11%) or triple-play bundle (10%) had used a different provider for at least one service in their bundle in the previous 12 months.** Eight per cent of dual-play customers had switched their entire bundle, compared to 7% among triple-play customers.
- **More consumers have taken up an offer of extra or improved services in the last year than have switched provider.** At least one in ten consumers (10% - 18%) in each communications market say they have taken up an offer of extra or improved services from their current provider in the last 12 months. This is more than the number of consumers who have switched to another provider, in each market.
- **Among inactive consumers, lack of a perceived cost benefit is the key reason for their lack of interest in changing provider.** Among those who do not agree that their provider is the best on the market, but who have not switched or considered switching, a perceived lack of cost benefit in switching is the most likely reason offered.
- **Reasons for considering, but not switching provider, vary by market.** In the broadband and TV markets 'perceived hassle' was the main reason why considerers had not switched (32% and 37%). In the fixed-line market it was 'lack of perceived cost benefit' (33%) and in the mobile market it was 'terms and conditions' (33%).
- **While a majority in each market report switching to be 'easy', around half of switchers in the fixed-line and broadband markets (when prompted) said they had experienced difficulties.** The switch least likely to be reported retrospectively as easy was 'fixed line plus one other service' (most commonly fixed broadband), at 81%.
- **Around a quarter of respondents consider it difficult to compare the costs of bundles of communications services.** Twenty per cent of respondents stated that it is, or would be, 'difficult' to compare the costs of stand-alone fixed-line services, and 24% said this about bundled services. This level of stated difficulty for bundled services is higher than in 2014 (up from 19%).

1.3 Consumer satisfaction

- **Around nine in ten consumers in each market are 'very satisfied' or 'fairly satisfied' with their overall service.** Overall satisfaction has declined since 2014 among consumers in the fixed-line (88% from 91%) and bundle (85% from 90%) markets. Dissatisfaction with value for money is highest for bundle purchasers (18%) and lowest for stand-alone mobile purchasers (7%).
- **Three-quarters of broadband customers are satisfied with their online speeds.** Dissatisfaction was highest among the more engaged segments, stood at 29% among 'engaged' fixed broadband customers, and was higher among those in rural areas (30% vs. 15% in urban areas).

- **Just under nine in ten (89%) adults are satisfied with the postal service overall.** Those in rural locations were the most likely to say that they were satisfied with the postal service (92%). These are similar to satisfaction levels in previous years. Just over two-thirds of postal users (69%) are satisfied with the value for money provided by the postal service.
- **Broadband customers are the most likely to say they have had a reason to complain (12%),** followed by mobile (6%), and fixed-line (5%) customers. Not all of these consumers proceeded to make a complaint. In total, 8% of broadband customers said they had made a complaint (this equates to 66% of those with cause to complain) and compares to 4% among mobile customers and 3% among fixed-line customers.
- **One in ten (10%) adults had reason to complain about Royal Mail's service.** Six per cent of adults went on to complain to Royal Mail.

Section 2

Pricing of services: Consumer price and value

2.1 Summary

In this assessment of the prices that UK consumers pay for communications services we examine average pricing trends and the way in which tariffs are structured and packaged. We have used a wide range of data sources, including revenue data collected from operators, tariff data collected from third-party providers and consumer research.

Overall we find that telecoms markets in the UK continue to serve consumers well in delivering choice and value, with most consumers finding services affordable. Average household spend on communications services has fallen in real terms (i.e. after adjusting for inflation), while the performance of some services has improved considerably, in particular in relation to the faster speeds associated with superfast broadband and 4G mobile services. In general, there is considerable choice in the market, and consumers can achieve good deals by shopping around and by purchasing more than one service from the same provider as part of a bundle.

However, there are indications that there are some issues in the pricing and packaging of communications services which may be to the detriment of some consumer segments. We have concerns about the following three trends.

- **Line rental prices have been steadily increasing.** These price increases seem likely to have been driven by a number of market trends, including falling fixed voice use and a shift away from usage-based pricing towards access-based pricing. They may also reflect a shift in the focus of competition between fixed providers towards the price of broadband and away from the line rental fee. Increases in line rental prices particularly affect the 10% of UK households that have a fixed voice landline but no internet access, and therefore no fixed broadband, as they do not benefit from competition in the broadband market.
- **There is evidence of an increased focus on promotional discounting;** the growing gap between promotional prices and standard 'list' prices may result in those consumers who are unengaged with the market not benefiting from competition and therefore facing increasing prices.
- **Increasing complexity in pricing may lead to poor decision-making.** Bundling, discounting, time-limited offers and an increasing number of packages and permutations are all making it more difficult for consumers to compare services, which will tend to increase the likelihood that they will make sub-optimal choices.

In our Proposed Annual Plan for 2016/17,¹ we highlight that monitoring price increases, providing advice and information on pricing, and making sure all consumers receive value from their communications providers will all be priority work areas. In taking this forward, we intend to collect additional information from UK operators on the actual prices paid by consumers in order to better track trends in the market and how these affect particular consumer segments.

Alongside this we will further assess whether consumers are getting value from the market. This will include an assessment of how retail markets are serving different consumer segments, and the extent to which the trends of rising line rental prices, increasing consumer segmentation and growing price complexity are harming the interests of consumers.

2.2 Trends in pricing

2.2.1 Overall consumer spending on telecoms services is steady

Average household spend on communications service remained steady in 2014, as higher spend on broadband and pay-TV offset falling fixed voice and mobile spend

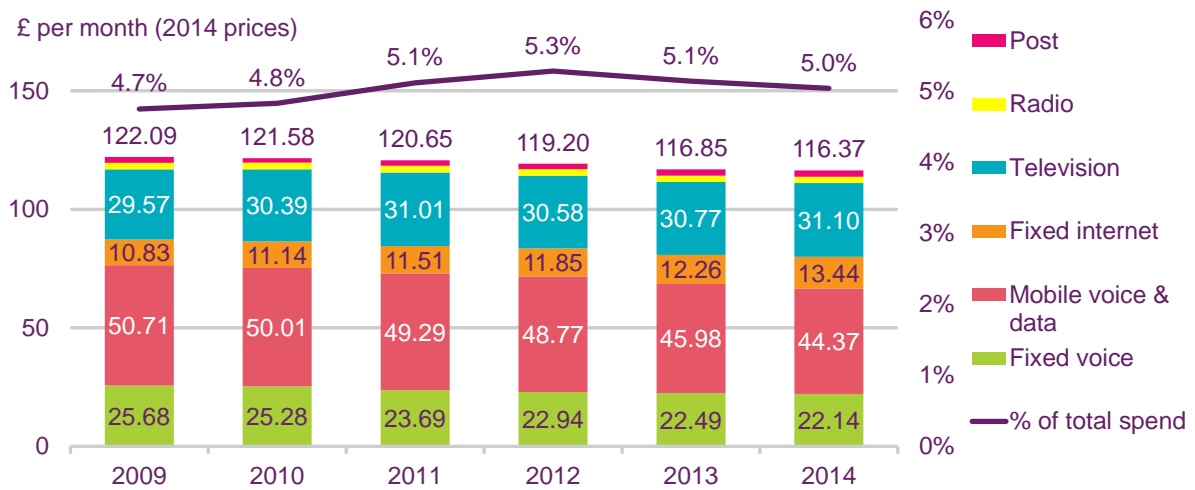
UK households spent an average of £116.37 per month on communications services in 2014, a 0.4% fall in real terms (i.e. adjusted for inflation) compared to 2013 (Figure 1). The largest increase in average spend was for fixed broadband services, which increased by £1.18 per month (9.6%) driven by increasing take-up of fixed broadband and consumers migrating to higher-priced superfast services. The largest fall in average spend was a £1.61 per month (3.5%) decline for mobile voice and data services, in part due to declining use of SMS messaging, associated with increased use of 'over-the-top' messaging applications such as WhatsApp and Facebook Messenger.

Average household spend on fixed voice services (including line rental) fell by 35 pence per month (1.5%) to £22.14 during the year as a result of declining use (residential fixed voice call volumes fell by over 10% in 2014). Average spend on TV (which includes the TV licence and pay-TV subscriptions) increased by 33 pence (1.1%) to £31.10 in 2014, while average spend on radio (which relates to the proportion of the TV licence fee that is attributed to radio) was unchanged in real terms, at £2.72 per month. There was also a small decline in average spend on postal services, down by four pence per month (1.5%) to £2.60.

Overall, average household spend on communications services equated to 5.0% of average total household spend in 2014, a 0.1 percentage point fall compared to 2013 and a 0.3 percentage point increase compared to 2009.

¹ http://stakeholders.ofcom.org.uk/consultations/annual_plan_2016-17

Figure 1 Average household spend on communications services



Source: Ofcom / operators/ ONS

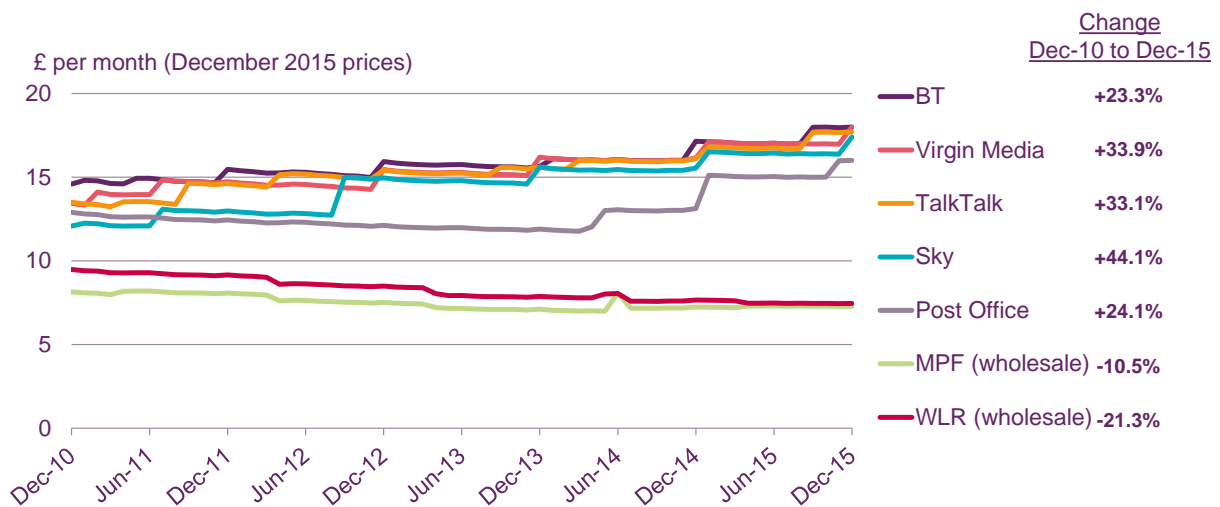
Notes: Adjusted for CPI; some historic figures have been re-stated and are not comparable to those published in previous Ofcom reports; television excludes spend on subscription, download-to-own and pay-per-view online TV services.

2.2.2 Line rental prices have been increasing

All of the UK's largest residential providers have been steadily increasing their line rental prices

Line rental prices affect almost all users of fixed-line communications services, as line rental is typically required in order to receive a broadband service. Figure 2 indicates that there has been a steady increase in the prices of fixed-line rental services since 2011, and there is now less differentiation between the line rental prices charged by the major providers of residential fixed telephony services. However, while retail line rental prices have been increasing, wholesale prices for wholesale line rental (WLR) and full LLU (MPF) have both declined.

Figure 2 UK residential line rental prices



Source: Ofcom / Pure Pricing UK Broadband Updates

Note: Adjusted for CPI; excludes line rental saver pre-payment tariffs

Providers are increasingly focused on low broadband prices

A number of market factors have contributed to this upward trend in line rental prices, including falling fixed voice use, and a shift from usage-based to access-based pricing (i.e. from out-of-bundle calls to the line rental and inclusive call package fee).

An additional factor driving increases in line rental prices appears to be a shift in the focus of competition away from line rental as operators have focused on the price of the broadband component in bundled services: line rental prices have increased while the overall prices of bundled broadband and line rental services have remained steadier. Providers that are focused on winning new dual-play and triple-play bundle customers appear to have concluded that they can achieve higher net customer additions by offering lower broadband prices rather than by keeping line rental prices low.

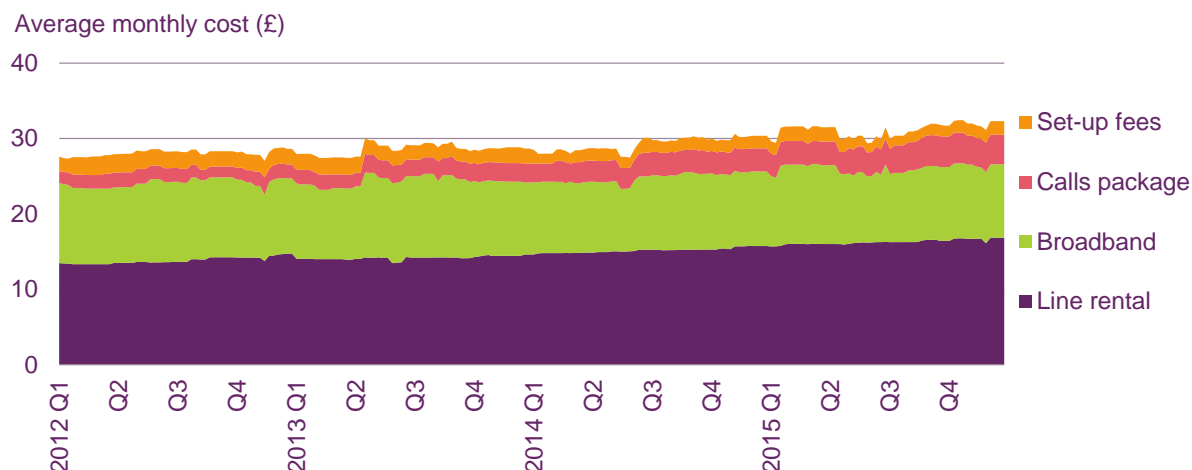
This focus on broadband and bundled services has also reduced the number of stand-alone voice services (i.e. a voice line without a broadband connection). TalkTalk has stopped offering stand-alone fixed voice services to new customers, while Sky and Virgin Media do not actively promote their stand-alone landline services. This means that of the UK's largest four residential fixed telecoms operators, only BT offers stand-alone fixed voice services for sale on its website.

Lower line rental prices are available from other operators, but even here there has been a shift in focus towards competing on low broadband prices rather than on low line rental prices. For example, the Post Office undercut BT's standard line rental by £3.70 a month in December 2013, but by December 2015 this saving had fallen to £1.99 a month, with the Post Office increasing its standard line rental price and cutting the price of its fixed broadband service. Across all of the major residential fixed telecoms providers, the deep promotional offers for fixed broadband services (e.g. time-limited discounts) are not replicated for line rental.

The effect of fixed rising line rental prices is shown in Figure 3, which shows a breakdown of the average cost of the different components of 'dual-play' fixed voice and ADSL broadband tariffs, collected by price comparison service Simplifydigital. It indicates that the proportion of the total cost of these bundles accounted for by fixed broadband has fallen over recent years, from 35% in Q4 2012 to 30% in Q4 2015. These prices exclude the promotional discounts that are typically available to consumers taking a new ADSL broadband service, so consumers will typically pay less for the fixed broadband element of the service than is shown below.

Meanwhile, the average line rental price (which accounted for 52% of the total bundle price in December 2015) increased by 16% over this period. Call package subscriptions (such as 'anytime' or evening calls) account for a small, but growing, proportion of the total (12% in Q4 2015). This is, in part, due to the increased availability of call bundles that include calls to mobiles and international destinations, but is also due to increases in the price of these add-on call bundles, and charges being applied for inclusive call plans that were previously free of charge. Average service set-up fees (such as installation and line activation) were unchanged during the year and accounted for 5% of the total in Q4 2015, down two percentage points compared to Q4 2012.

Figure 3 Average list price of residential dual-play ADSL broadband and landline bundles



Source: Simplifydigital

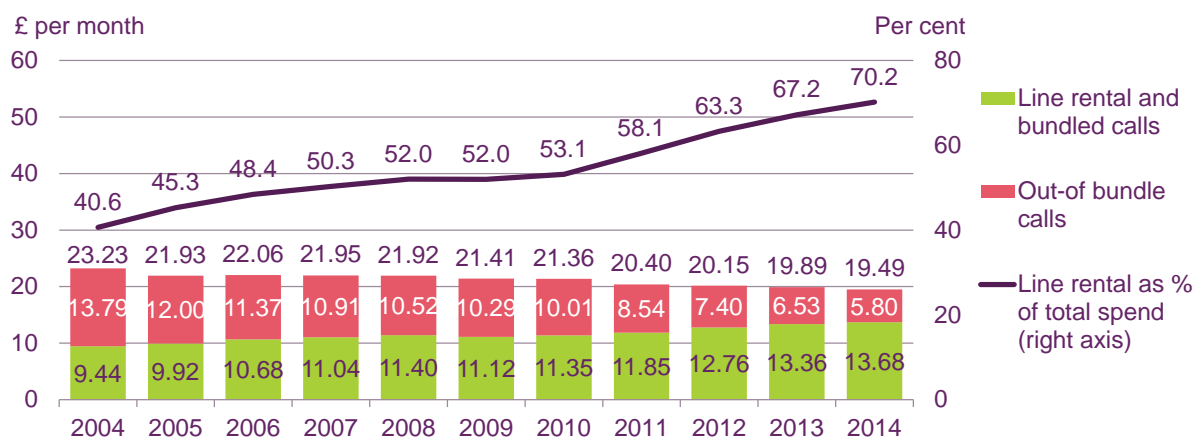
Note: The average monthly cost is calculated across each service's minimum contractual term and excludes promotional discounts

Higher line rental to some extent reflects tariff re-structuring in the context of falling use

Despite increases in line rental prices, average expenditure on line rental plus voice calls has fallen in recent years (Figure 4), and average revenue per residential fixed line (including line rental and out-of-bundle call charges) is falling despite increasing line rental prices. The main reason for this decline is falling fixed voice use, with total outgoing residential fixed call volumes (excluding non-geographic calls) having almost halved in the decade to 2014, largely due to fixed-to-mobile substitution and the increasing use of text-based forms of communications such as email, SMS messaging and instant messaging.

Line rental price increases are therefore, to an extent, attributable to tariff re-structuring, as operators seek to maintain revenues (in a largely fixed-cost business) in the context of falling call volumes. As shown below, the proportion of average fixed telephony spend that is attributable to line rental increased from 40.6% to 70.2% between 2004 and 2014 (although this increase is partly due to the growing take-up of 'add-on' call bundles, in addition to increasing line rental prices).

Figure 4 Average monthly retail revenue per residential fixed line



Source: Ofcom/operator data

Note: Excludes VAT and business lines

The average cost per minute for fixed voice calls has increased as the volume of outgoing calls has fallen

We are able to calculate the average cost per minute of fixed and mobile voice calls using call revenue and volume data provided by telecoms operators to Ofcom as part of its regular data collection programme.² Revenues relating to access/line rental fees are included in both the fixed and mobile calculations, so the average cost per mobile voice call minute will be overstated, as it includes revenues relating to bundled messaging and data services, and the average cost per fixed voice call minute will also be over-stated, as most broadband consumers need to have a voice line in order to receive a broadband service, and some of these consumers do not use the line for voice calls.

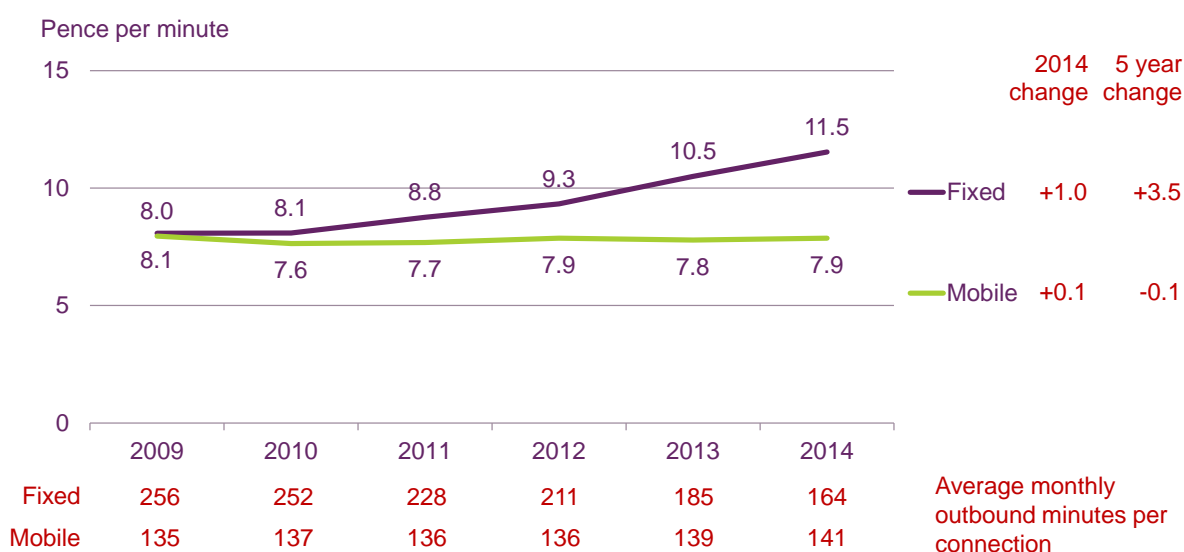
As shown in Figure 5 below, the average cost of a mobile-originated voice call minute has remained fairly steady since 2009, while the average cost of a fixed-line call minute has increased significantly. Between 2009 and 2014 the average cost of a fixed-voice call minute increased by 3.5 pence (43%) to 11.5 pence, making the average cost of a fixed voice minute in 2014 3.7 pence (47%) more expensive than a mobile voice minute. Five years previously, it would have been cheaper.

The rising cost per minute of fixed voice calls is largely due to falling call volumes: between 2009 and 2014, the average monthly volume of voice calls per fixed line fell by 93 minutes (36%) to 164 minutes, while over the same period the average monthly volume of voice calls per mobile voice connection increased by six minutes per month (4%) to 141 minutes.³

² When compiling the submitted revenue figures, providers apportion revenues from bundled services across each of the services included in the bundle. The figures below should be for only the fixed voice element of any bundled services.

³ The calculated costs exclude NTS calls and (for mobile) calls while roaming abroad.

Figure 5 Cost per minute for fixed and mobile voice calls



Source: Ofcom / operators

Notes: Includes estimates where Ofcom does not receive data from operators; excludes non-geographic voice calls and mobile calls while roaming abroad; some historic figures have been re-stated and are not comparable to those published in previous Ofcom reports.

Prices for 'baskets' of fixed voice services have been steadily increasing

Another way of tracking the price increases that have taken place in fixed voice services is to use a 'basket'-based approach. This involves defining 'baskets' of communication services which are representative of the usage profiles of 'typical' households.

We then use a pricing model, developed by pricing consultancy Teligen, that identifies the lowest prices available to meet the requirements of the basket from thousands of UK tariffs. We believe that this is the best way to track the prices available in the market, as it takes account of the wide range of permutations available (for example, fixed voice tariffs include multiple call package options and add-ons), enables discounted offers to be included, and allows assessment of the prices of services bought on a single-service basis (e.g. fixed voice without broadband) as well as those bought in service 'bundles' (e.g. a voice service with broadband and/or pay TV).

A limitation of this analysis is that it is based on the tariffs that are available at a single point in time, and it uses the best tariffs available. While this can provide a good indication of the offers available to the engaged consumer who shops around to find the best deal to meet their needs, it is not a proxy for the actual prices that consumers pay, as few consumers will be on the optimal tariff for their usage profile.

Figure 6 outlines changes in the prices available to voice-only customers (i.e. customers buying a voice service) based on the average lowest price available from the UK's largest fixed voice providers, weighted by market share. It indicates that there have been considerable price increases, with the aggregate weighted

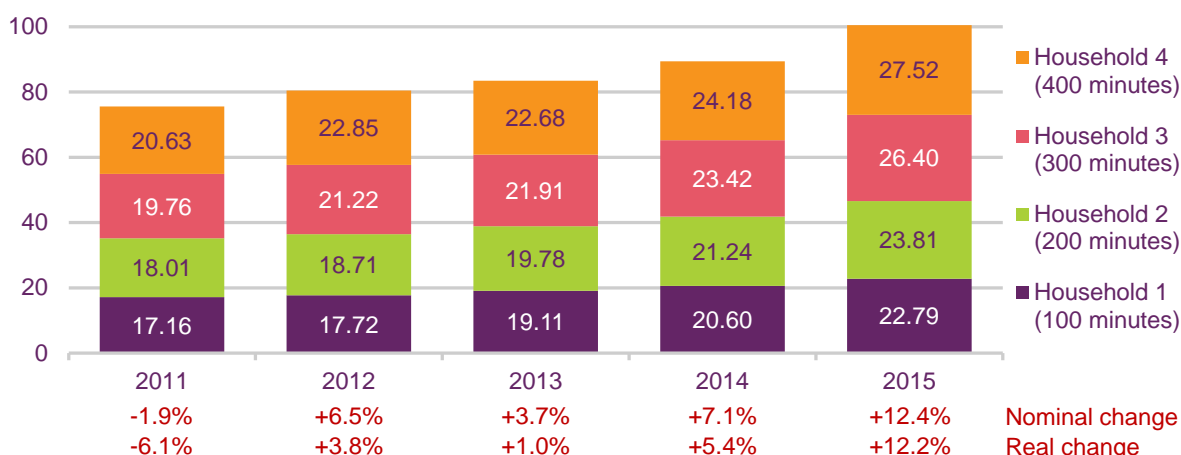
average stand-alone prices⁴ of four baskets of stand-alone voice services increasing by 12% in the year to July 2015, having increased in each year since 2011.

Consumers who require stand-alone voice services have limited choice in the market – of the largest four providers, only BT actively offers a voice service without broadband, although services are also available from smaller providers including the Post Office and the Co-op.⁵

Figure 6 Fixed-line voice prices for typical baskets of stand-alone voice services: 2011 to 2014

	Household 1	Household 2	Household 3	Household 4
'Typical household type'	Affluent couple with sophisticated use	A 'networked' family	A retired low-income couple	A couple of late adopters
Outbound call minutes	100	200	300	400
Type of calls	93% UK geographic and 7% UK mobiles	91% UK geographic, 7% UK mobiles and 2% international	93% UK geographic, and 7% UK mobiles	91% UK geographic, 7% UK mobiles and 2% international
Time of day	59% daytime, 25% evening and 16% weekend	59% daytime, 25% evening and 16% weekend	58% daytime, 25% evening and 17% weekend	58% daytime, 25% evening and 17% weekend

Monthly cost (£)



Source: Ofcom / Teligen

Note: Tariff data collected in July each year; nominal prices.

⁴ The weighted average of the cheapest stand-alone prices offered by the largest providers of residential fixed voice services, weighted by their market shares.

⁵ This means that BT is the only provider contributing to the weighted average from 2013 onwards (as the Teligen model only includes tariffs from the largest providers which are advertised on their websites - TalkTalk no longer offers stand-alone fixed voice services, and Sky and Virgin Media do not offer them for sale on their websites).

2.2.3 Broadband prices have remained steady despite faster speeds and higher use

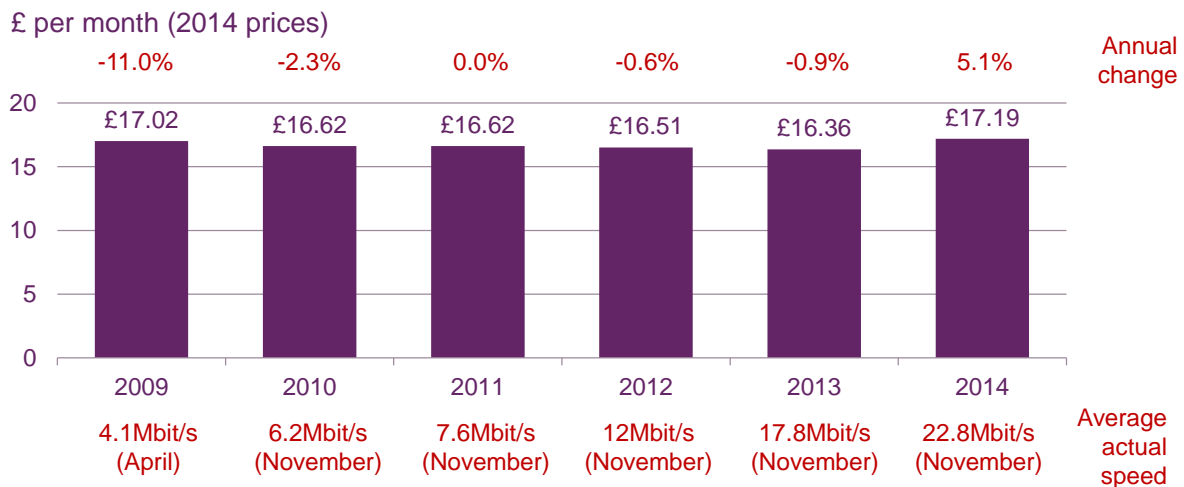
Between 2009 and 2015 the average cost of broadband has hardly changed, while average speeds have quadrupled

One indication of how services have improved is the continuing rate of increase in average fixed broadband speeds, as consumers adopt superfast broadband and providers introduce faster packages. We can calculate the average price paid for a residential fixed broadband connection by using the retail fixed broadband revenue and lines information provided to Ofcom by internet service providers (ISPs) as part of our regular data collection programme.⁶

As Figure 7 below indicates, residential fixed broadband users received an average actual speed of 22.8Mbit/s in 2014, more than five times as fast as in 2009, while paying only slightly more in real terms.

Since 2013, however, prices have increased. Our figures indicate that the average monthly price of a residential broadband connection increased by 5.1% to £17.19 in real terms in 2014 (Figure 7). The key driver of this increase was consumers migrating onto faster broadband services, which typically command a price premium of £5-10 per month over 'standard' broadband services. In the year to November 2014 the proportion of residential connections that were superfast (i.e. with a headline speed of 'up to' 30Mbit/s or higher) increased from 24% to 32%.⁷

Figure 7 Average monthly price of residential fixed broadband connection



Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators; includes VAT; adjusted for CPI.

⁶ When compiling these figures, ISPs apportion revenues from bundled services across the services included in the bundle, based on their internal accounting conventions. The figures below should solely relate to the fixed broadband element of any bundled services.

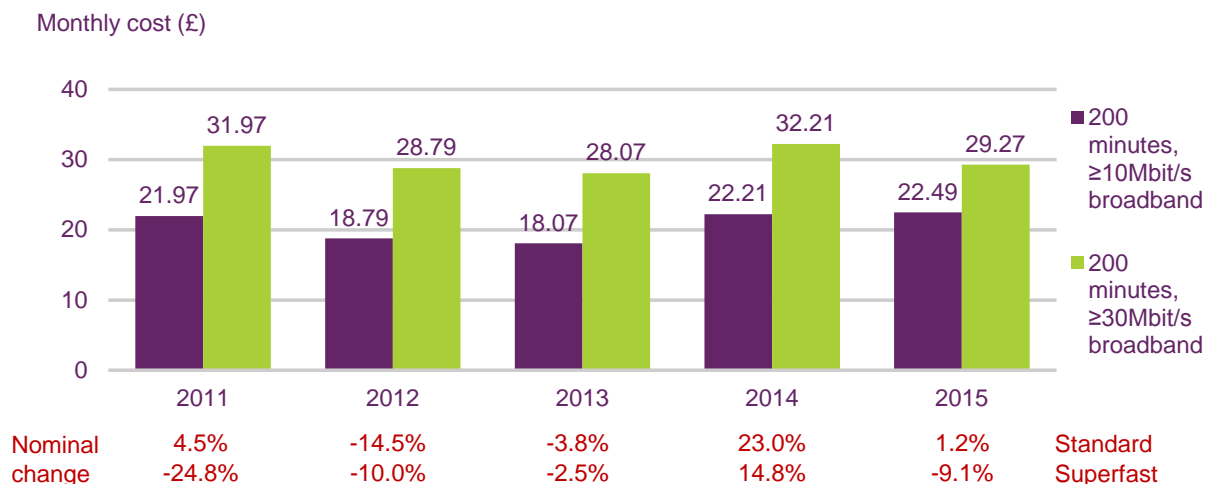
⁷ <http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/broadband-speeds-november2014/>

The gap between the price of superfast and standard broadband has narrowed

One reason why consumers are increasingly taking up superfast broadband is because the price gap between standard and superfast broadband has narrowed over time.

Figure 8 below compares the cheapest available prices for a basket of services including a landline with 200 minutes of outgoing voice call minutes per month and either a standard or a superfast broadband product (i.e. one with an advertised speed of 'up to' 30Mbit/s or higher) with 50GB of data use per month. The lowest available price for the 'standard' broadband basket, using the tariffs offered by the UK's largest providers of residential fixed telecoms services, rose by 1.2% in nominal terms to £22.49 in 2015, while the lowest available price for the basket including superfast broadband fell by 9.1% to £29.27. The difference between the lowest price available for each of the baskets in 2015 was £6.78 per month, down from £10.00 per month in 2014.

Figure 8 Lowest price available for a basket of voice calls and fixed broadband



Source: Ofcom / Teligen

Notes: Nominal prices based on tariffs available in July each year; basket includes 200 voice minutes (91% UK geographic, 7% to UK mobile, 2% international), 58% of calls in daytime, 25% in evening, 16% at weekend; prices shown include special offers available such as reduced monthly fees for an introductory period.

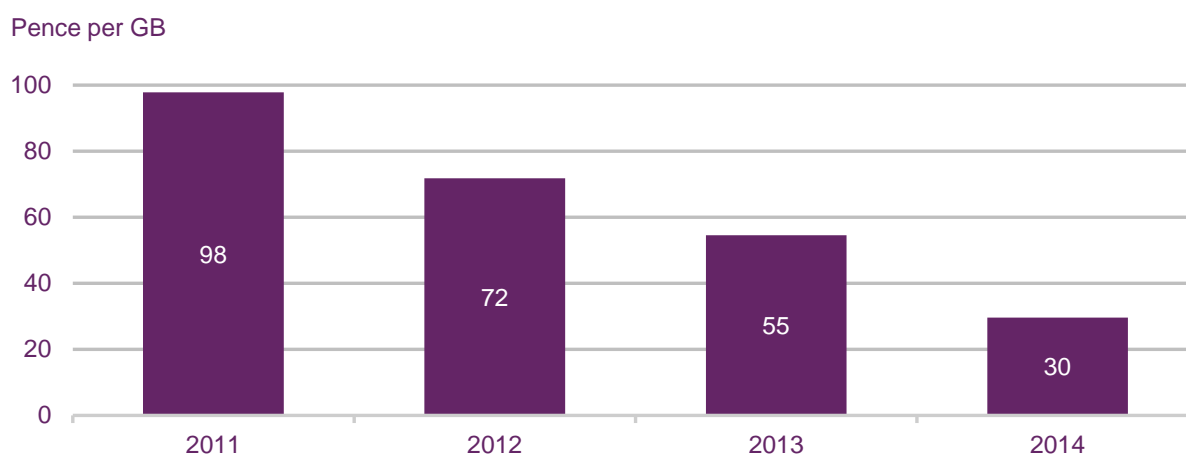
Consumers are downloading ever more data and paying less per unit

As well as receiving faster speeds, consumers are consuming more data over their fixed broadband connections. As our 2015 *Connected Nations* report showed, the amount of data downloaded by consumers has recently been growing by about 40% a year, driven largely by increasing use of video streaming services. Between 2011 and 2015, the average volume of data consumed per fixed broadband

connection grew from 17GB per month to 82GB per month (112GB per month over superfast connections).⁸

We are able to calculate the average cost per GB of data used for residential fixed broadband connections by dividing the average price of residential broadband connection by the average data use per connection.⁹ This shows that the average price per GB of data delivered over residential fixed broadband connections fell by over two-thirds, from 98p to 30p, in the three years to 2014 (Figure 9).

Figure 9 Residential fixed broadband: average cost per GB



Source: Ofcom / operators

Notes: Includes VAT; adjusted for CPI

2.2.4 Consumers can achieve savings by buying voice, broadband and pay-TV services as triple-play bundles

The price of a basket of services designed to reflect the requirements of a 'connected family' household has been flat over the last few years

Bundled services have grown in popularity over the last decade, as purchasing more than one communications service from a single provider is usually cheaper than purchasing the same services separately; and consumers also benefit from the convenience of only receiving one bill for multiple services. Ofcom research shows that by Q3 2015, two-thirds of UK households (67%) bought two or more communications services as a bundle from the same provider.¹⁰

As take-up of bundled services continues to increase, it is necessary to consider the trends in bundle pricing as well as those in stand-alone pricing. Figure 10 shows the lowest prices available for a basket of communications services based on purchasing any combination of bundled and stand-alone tariffs offered by the largest UK providers of residential communications services. This basket of

⁸http://stakeholders.ofcom.org.uk/binaries/research/infrastructure/2015/downloads/Fixed_broadband_services.pdf

⁹ Average data use is calculated from data provided by ISPs for use in Ofcom's *Connected Nations* reports. <http://stakeholders.ofcom.org.uk/market-data-research/market-data/infrastructure/?a=0>

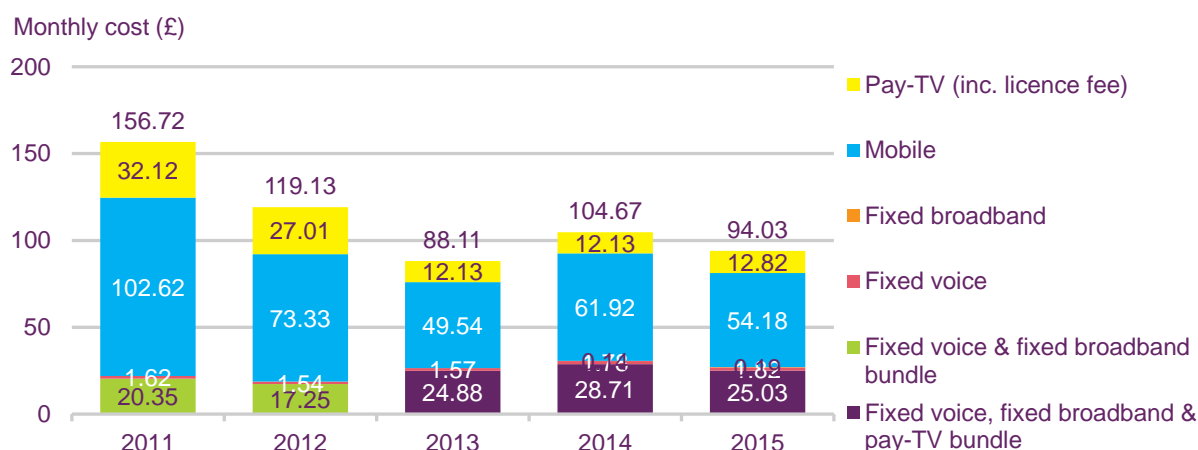
¹⁰http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/Ofcom_Technology_Tracker_Half_2_2015_UK_data_tables.pdf see table 100

services is based on the usage profile of a typical family of two parents with two teenage children, and requires:

- a fixed voice service with 200 minutes of outgoing calls per month;
- a fixed broadband connection with an advertised speed of at least ‘up to’ 10Mbit/s and 50GB of data use per month;
- four mobile phones with varying call, SMS and data use; and
- a basic pay-TV subscription including HD content and a DVR.

The availability of bundle discounts meant that in each of the five years to 2015 it was cheaper to purchase two or more of the services required by the household as part of a bundle. In July 2015 the ‘lowest available’ price combination of services included a TalkTalk triple-play bundle of fixed voice, fixed broadband and pay-TV services which, at £27.73 per month (including the household’s out-of-bundle use), was less than half the lowest price achievable by buying all three services separately. Overall, the total price for the household’s use, including mobile services and the TV licence fee, was £94.03, £10.64 a month (10%) lower than in 2014, due mainly to a fall in the lowest available price for the four mobile phone connections required by the household.¹¹

Figure 10 Lowest prices available for a basket of communications services typical of a ‘networked family’ household



Source: Ofcom / Teligen

Note: TV includes the licence fee, the price of a set-top box/decoder and installation; basket includes 200 fixed voice minutes (91% UK geographic, 7% to UK mobile, 2% international), 58% of calls in daytime, 25% in evening, 16% at weekend and three mobile phones: Connection 1 with 250 call minutes, 100 SMS & 400MB data, Connection 2 with 150 call minutes, 200 SMS & 300MB data, and Connections 3 & 4 with 100 call minutes, 250 SMS and 2GB data

¹¹ This fall in mobile prices should be treated with caution as it is largely due to the inclusion of tariffs from Tesco Mobile which were not included in previous years; it is also the case that the price of the mobile components was higher in 2015 than in 2013.

2.2.5 Competition has served mobile customers well

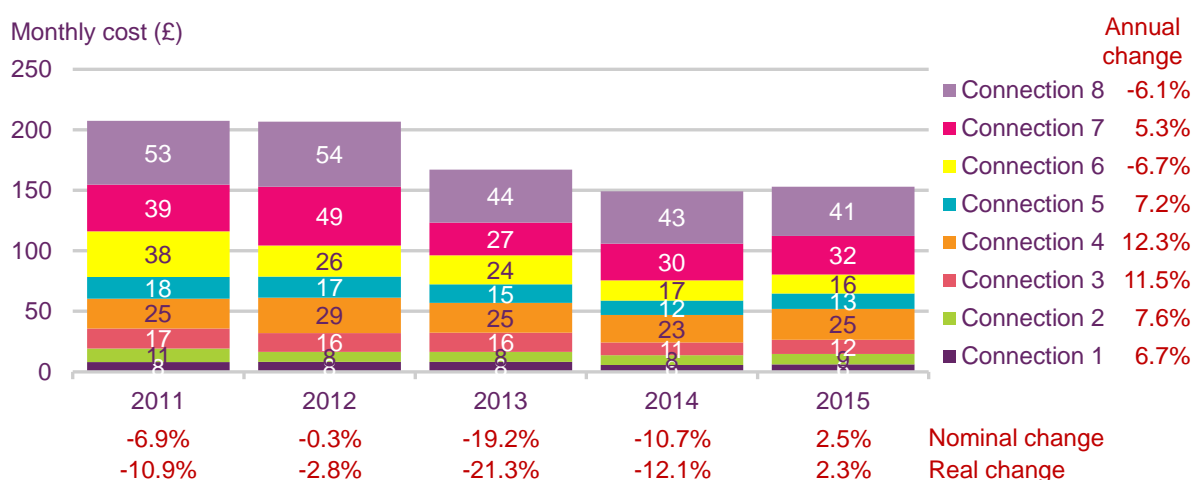
Prices for baskets of mobile services have remained steady, with higher prices for voice services offset by lower prices for mobile data

Our analysis of the prices available for the eight mobile connections included in the five household baskets used in the Teligen pricing analysis finds that, overall, there was a small increase in prices in 2015, in aggregate, up by 2.3% in real terms. This is the first overall increase since we started tracking prices for these eight connections in 2011.

Figure 11 Composition of mobile phone baskets: 2011-2015

	Handset type	Outbound voice minutes per month	Outbound SMS per month	Data use per month
Connection 1	Basic	50	None	None
Connection 2	Basic	50	25	100MB
Connection 3	Intermediate	150	200	300MB
Connection 4	Intermediate	250	100	400MB
Connection 5	Premium	200	50	500MB
Connection 6	Intermediate	100	250	2GB
Connection 7	Premium	300	150	1GB
Connection 8	Premium	500	200	5GB

Figure 12 Weighted average of best prices available from the three largest operators: 2011-2014



Source: Ofcom / Teligen

Note: Calculated from lowest tariff available from each of the three largest mobile operators by retail market share in July of each year; nominal prices; full details of methodology, basket composition and in-depth analysis is provided in Ofcom's 2014 *International Communications Market Report*

(http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr14/icmr/ICMR_2014.pdf).

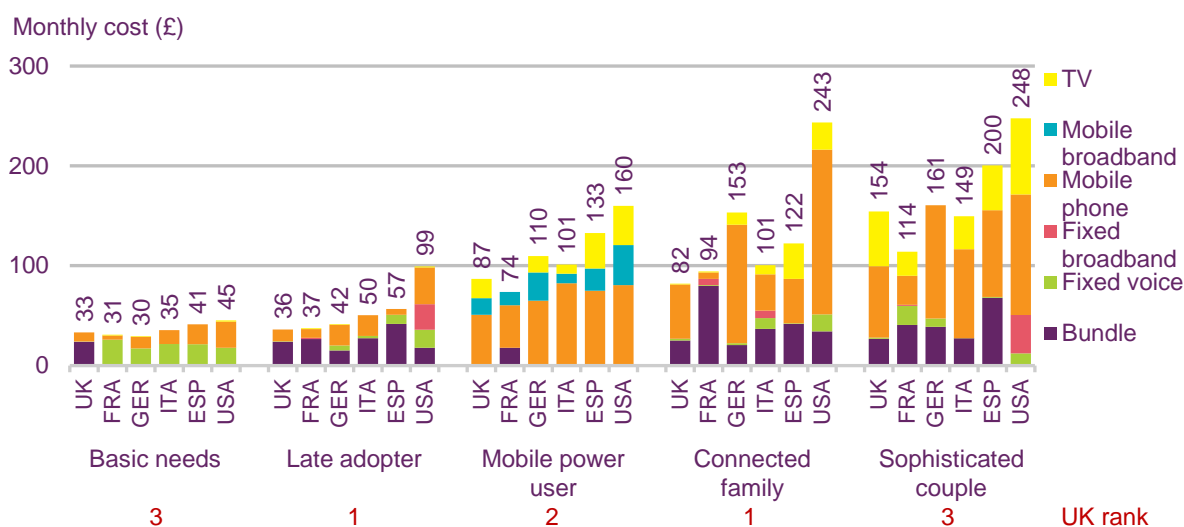
2.2.6 International comparisons

Overall, prices in the UK compare favourably to those in comparator countries

In order to better understand trends in UK pricing, it is useful to compare the prices available in the UK with those in other countries, and we do this in Ofcom's

*International Communications Market Reports.*¹² Figure 13 summarises how prices in the UK compared to those available in five comparator countries in July 2015. It shows that UK prices for ‘baskets’ of communications services designed to be representative of ‘typical’ household compared favourably to those available to consumers in the US and in the other large European economies. France and the UK each had the cheapest ‘lowest available’ prices for two of the five household usage profiles (France for ‘mobile power user’ and ‘sophisticated couple’, the UK for ‘late adopter’ and ‘connected family’), while Germany had the cheapest ‘lowest available price’ for the remaining household.

Figure 13 Comparison of lowest-priced services, including multi-play, for baskets of communications services typical of five household types



Source: Ofcom / Teligen

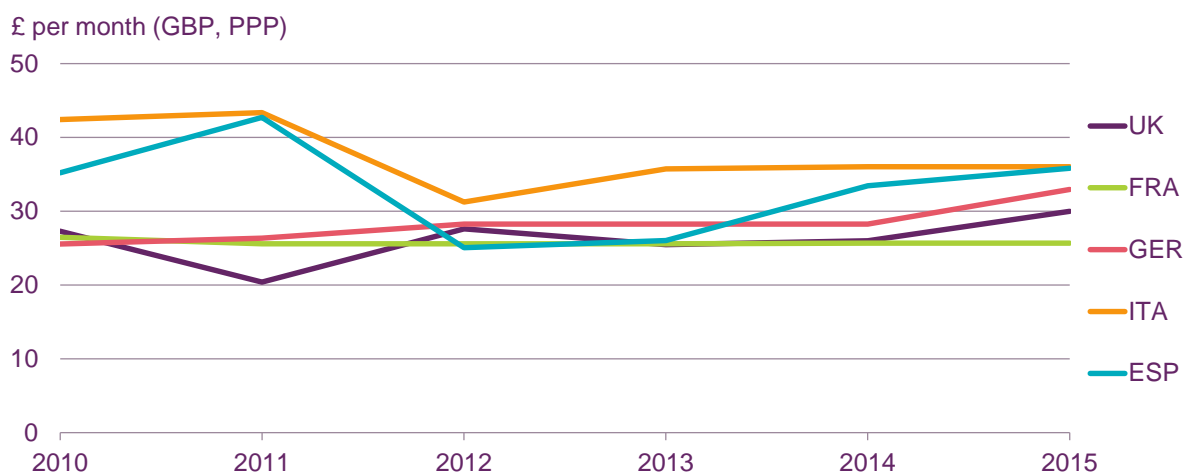
Note: Based on weighted average of the best tariffs available from the three largest operators in each country in July 2014; PPP adjusted; ‘TV’ excludes the licence fee.

The price of a basic fixed broadband and voice service from BT is the second lowest among the EU5’s incumbent providers

Using tariff data provided by Teligen, we are able to compare the monthly price of the most basic residential landline and fixed broadband bundles offered by the incumbent providers’ brands in the EU5 countries (BT in the UK, Orange in France, T-Home in Germany, Telecom Italia in Italy and Movistar in Spain). This analysis excludes any connection fees, promotional discounts and/or line rental pre-payment services. As shown in Figure 14, although BT had the second-lowest-priced basic fixed broadband and landline service among the EU5 incumbents in July 2015 (after Orange in France), its prices are increasing relative to those of most of these countries’ incumbent providers.

¹² <http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/>

Figure 14 Incumbents' cheapest landline & fixed broadband services, excluding promotional discounts



Source: Ofcom, using data provided by Teligon
 Note: Nominal prices; data as at July of each year

2.3 Concerns about recent pricing trends

2.3.1 Some consumer segments may be adversely affected by market trends

While there is a broadly positive picture for consumers, there may also be emerging issues

While the broad picture outlined above appears positive, there are indications that there may be some particular problems concerning pricing, which may be causing detriment to consumers, particularly vulnerable consumers. Below we outline three major concerns that we intend to consider in more detail in the coming months.

- Fixed voice telephony prices are continuing to rise, potentially causing harm to vulnerable or older consumers, in particular.
- For bundled services, there is now more emphasis on short-term and promotional discounts, with potential negative consequences for unengaged consumers.
- The growth of promotional pricing, combined with increasing product and tariff complexity, may make it harder for consumers to compare services and find their personal best value deal.

These trends create particular concerns, as vulnerable consumers may be disproportionately affected. The majority of landline-only customers are aged over 65 and on low incomes; older consumers are also likely to be 'inactive' in that they have low interest in the market and do not keep up to date with it; and 'vulnerable' consumers are more likely to have difficulties in navigating complex markets and identifying tariffs which best meet their needs.

We describe these price trends, and our concerns about them, in more detail below.

2.3.2 Increases in line rental and out-of-bundle call prices may disproportionately affect stand-alone voice customers

Competitive focus on the price of broadband means that voice-only customers are facing reduced choice and higher prices

As outlined above, line rental prices have increased significantly in recent years and it seems likely that this is, in part, due to reduced voice calls, a competitive focus on the price of broadband and a general shift away from usage-based pricing towards access-based pricing.

The biggest fixed-line providers have many more broadband customers than landline-only customers. There are indications that they are seeking growth in their total customer base and revenues by winning new broadband customers through offering attractive broadband prices rather than by offering low line rental prices, as evidenced by the fact that line rental prices have increased while broadband prices have remained steady.

Dual-play and triple-play customers are unlikely to care whether price increases are due to the price of line rental or other services included in their bundle. But this is obviously not the case for the approximately two million UK households that have a fixed voice service but do not have a fixed broadband service. These consumers do not benefit from competition in broadband markets, but they still have to pay more for their landline. Moreover, there is less choice available to these consumers. BT continues to have the majority of stand-alone voice customers, TalkTalk no longer offers a voice line as a stand-alone service, and Virgin Media and Sky do not promote their stand-alone services.

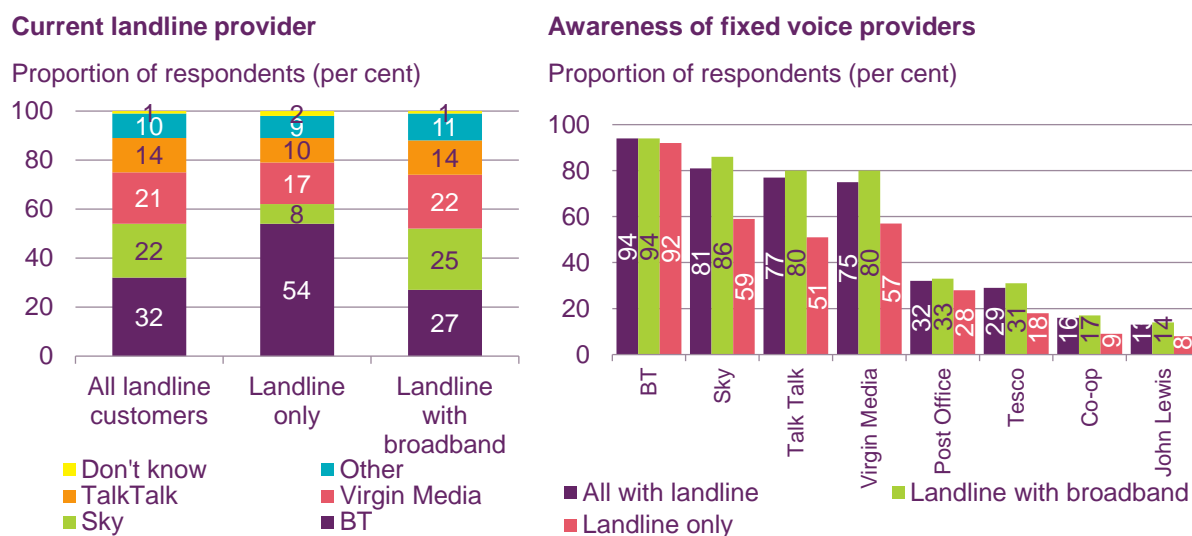
Although stand-alone voice customers can save money by switching to cheaper packages and tariffs, most have not done so

Ofcom consumer research, conducted in Q3 2015, found that the majority of stand-alone fixed voice customers (71%) had never switched provider, compared to 51% of all landline users. The implications of this are potentially serious as it may lead to an impediment to effective competition, since limited demand-side engagement reduces incentives for suppliers to compete for stand-alone voice customers. Further information on service switching can be found in Section 3.5 of this report.

Not only is competition for landline-only customers less fierce than for those taking bundled services, but the research also suggests that most of those purchasing stand-alone voice services have low awareness of alternative telecoms providers. As shown in Figure 15 below, over half of landline-only users were BT customers in Q4 2014, twice the proportion of landline users with a fixed broadband connection. Similarly, awareness of residential fixed telecoms providers other than BT was lower among landline-only customers, suggesting that they are less engaged with the market.

This lack of engagement with the market could mean that many landline-only consumers are not getting the best deal available.

Figure 15 Awareness and use of alternative providers: landline-only customers



Source: Kantar Media Omnibus, November – December 2014

Operators have withdrawn from offering landline-only services

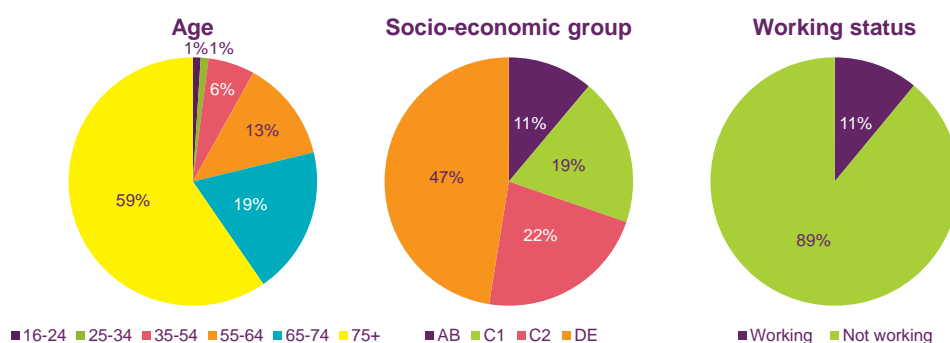
There is also less opportunity than in previous years for consumers to save money by switching provider, as operators are competing less vigorously for voice-only consumers. The withdrawal of TalkTalk from landline-only services has reduced consumer choice, and there is also less price competition from smaller providers. For example, the Post Office continues to offer one of the lowest-priced line rentals, but its price has increased from £11.75pm in January 2014 to £16.00 in January 2016.

While savings are available by paying for 12 months' line rental in advance, the savings that these tariffs offer have fallen over time. When it launched in 2011, BT's 'line rental saver' cost £120 per year, a saving of 28% compared to paying its standard monthly line rental (£13.90). In December 2015 it cost £194.28 per year, a saving of 10% compared to BT's standard line rental of £17.99 per month.

Increases in stand-alone voice prices may disproportionately affect elderly and low-income consumers

Above-inflation rises in line rental prices are of particular concern because of whom they may affect. As shown in Figure 16, a majority of stand-alone voice customers are elderly and on lower incomes, with 78% being over 65 and 59% over 75, 47% in the DE socio-economic group and 89% not in work.

Figure 16 Split of stand-alone fixed voice homes, by demographic



Source: Ofcom technology tracker H2 2015

Base: All adults aged 16+ who have a landline (1982)

Stand-alone landline – no internet refers to those who do not say ‘yes’ to the question “Do you or does anyone in your household have access to the internet/ world wide web at home (via any device, e.g. PC, laptop, mobile phone etc)? “ and therefore do not have access to the internet through any device.

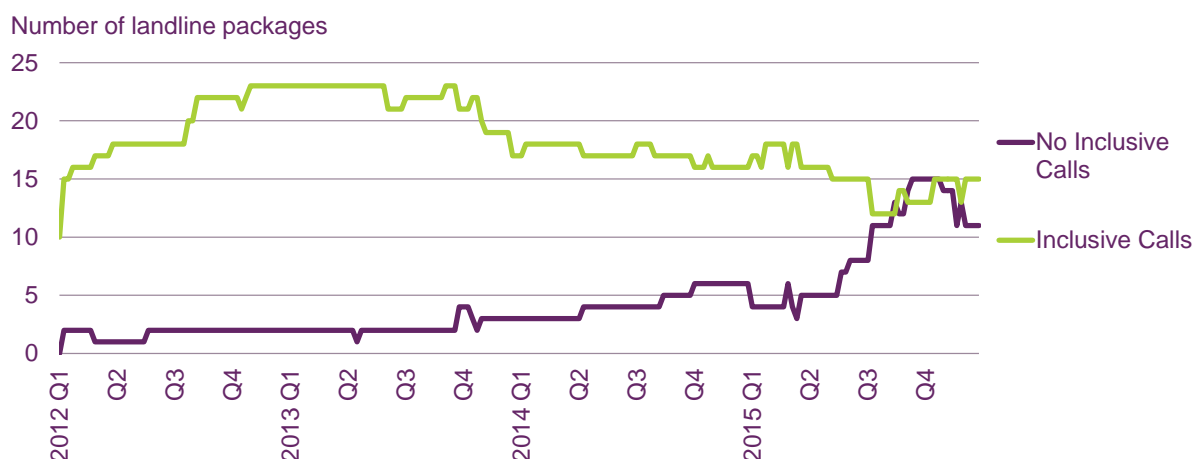
The number of landline packages without an inclusive call allowance has grown significantly

Many consumers only take a voice line because it is required for them to receive fixed broadband services, and Ofcom research found that internet access was the most important reason for having a landline for 42% of those with a landline at home in H2 2015 (rising to 62% among those aged 15-24).¹³

An emerging trend in fixed voice pricing over recent years has been growth in the number of phone packages that do not have any inclusive calls (previously, even the most basic services had provided an inclusive call allowance of weekend and/or evening calls). Such tariffs may be the cheapest option for consumers who make few or no outgoing fixed voice calls, but for consumers who make even a small number of calls these tariffs can be comparatively expensive, and they would be better off purchasing an additional call package. TalkTalk was the first of the major UK residential fixed telephony providers to offer a landline service without an inclusive call allowance, when it launched its low-cost *Simply Broadband* service in 2013, and by Q4 2015, there were almost as many landline tariffs available without any inclusive calls as with them (Figure 17).

¹³ Ofcom Technology Tracker, H2 (Jul-Aug) 2015

Figure 17 Number of packages with and without inclusive and paid-for call plans



Source: Simplifydigital

Call prices are increasing

As well as the increases in line rental prices, residential fixed telephony customers have also faced a rise in the cost of making calls. Figure 18 shows that UK calls to landlines have increased in price by an annual rate of over 9% in recent years, well above the rate of inflation. Call bundles are also increasing in price – the average price of weekend and evening call packages increased by an average of 14% a year between 2012 and 2015, and anytime call bundles increased by an average of 10% a year. In addition, while line rental saver pre-payment tariffs enable consumers who are able to pay for a year upfront to save on the cost of their line rental, the average saving offered by the UK’s four largest residential landline providers’ pre-payment tariffs, compared to their standard tariff, more than halved to 14% between 2012 and 2015.

Consumers may also face a number of other costs which can significantly increase their bills, including call set-up fees, charges for voicemail, caller ID, receiving a paper bill and not paying by direct debit. Some consumers are also still paying quarterly rental fees for handsets. These charges may be ‘hidden’ to many consumers, and customers may not be aware of them unless they check their bills. They do not typically feature in advertising or price comparison services, so may not be considered when consumers choose their provider.

Figure 18 Summary table of out-of-bundle call charges

	2012	2013	2014	2015	CAGR
UK geographic call (pence/minute)	8.6	9.2	10.2	11.1	9.2%
0845 call (pence/minute)	8.9	9.4	7.2	9.9	3.6%
0870 call (pence/minute)	8.9	9.4	7.2	9.9	3.6%
Non-Three UK mobile call (pence/minute)	13.9	13.8	13.9	14.0	0.2%
Three UK mobile call (pence/minute)	17.0	16.9	17.0	14.0	-6.2%
Weekend call bundle (£/month)	0.00	0.00	0.00	0.00	n/a
Evening & weekend call bundle (£/month)	2.63	3.30	3.30	3.93	14.3%
Anytime call bundle (£/month)	5.79	6.38	6.88	7.75	10.2%
Call connection fee (pence/call)	13.3	13.7	14.8	17.1	8.9%
Standard line rental (£/month)	14.86	15.70	16.77	17.77	6.1%
Line rental saver (equivalent £/month)	10.05	11.15	14.29	15.26	14.9%

Source: Simplifydigital

Notes: Data as at end of each year; figures are the average of the prices offered by BT, Sky, TalkTalk and Virgin Media

Consumers may face high bills if they are not on tariffs which best meet their needs

Given the multiplicity of tariffs, it is important that consumers are sufficiently engaged, and have the tools, to choose the call package which best meets their needs. If they do not, they may end up paying significantly more than is necessary. The rise in the price of out-of-bundle calls means that consumers who make even a small number of calls could save money by having an inclusive call package. For example, a BT customer without an inclusive call package would only have to make two 15-minute calls to a UK landline in a month to be better off on BT's Evening and Weekend call package. Figure 19 below compares the price of making the average number of calls from a residential fixed line in July 2015, based on BT's five different residential voice tariffs.¹⁴

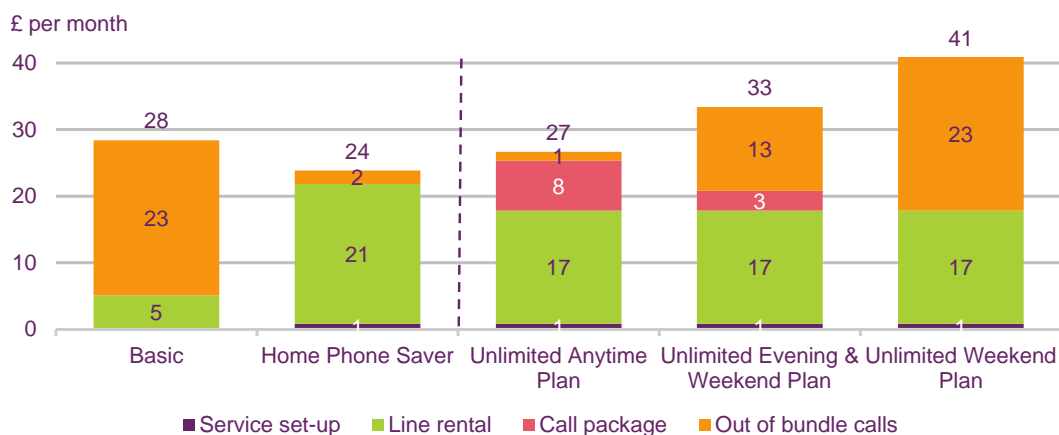
BT Basic is a 'social tariff' offered under the universal service obligation (USO), which requires that basic telephony services are provided at an affordable price to all consumers. It is only available to consumers who meet eligibility criteria, such as being in receipt of certain benefits such as income support, jobseeker's allowance, pensions credit and universal credit. It offers line rental at a heavily discounted rate (£5.10 a month), but includes only a relatively small number of inclusive calls (£1.50 a month). As a result, its overall cost is higher than some other BT tariffs for a consumer making an average number of calls.

The lowest-cost BT tariff, based on this basket of an average number of calls, is the BT Home Phone Saver tariff. This was launched in August 2014, is available only to consumers that do not take a fixed broadband service over the same line, and offers line rental, anytime landline calls and various calling features for £20.99 a month. For an average voice user with broadband, the Unlimited Anytime Plan is the lowest cost BT tariff, with the £7.50 fee for inclusive calls offering considerable savings over per-minute charges. For average landline users, the Unlimited Weekend plan is the most expensive of the three BT phone-only plans, as while

¹⁴ We have used BT as it is currently the only one of the UK's four largest residential fixed telecoms providers to actively sell stand-alone voice services.

consumers do not have to pay for the call package, out-of-bundle calls average at £23.

Figure 19 Price of a basket of stand-alone BT fixed voice services



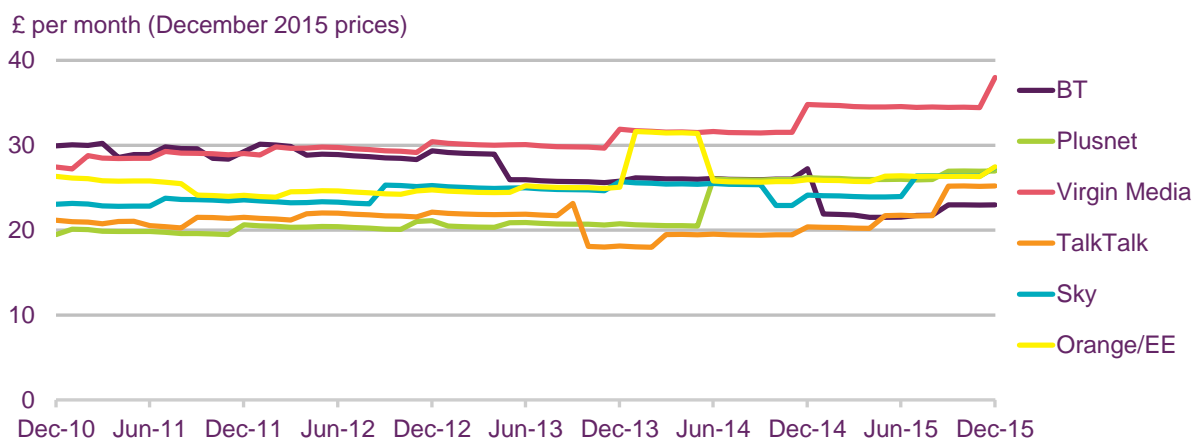
Source: Ofcom, using data provided by Teligen, July 2015 data

Note: Basket includes 152 fixed voice minutes (93.3% UK geographic, 6.7% to UK mobile, 0.1% international), 40% of calls in daytime, 40% in evening, 20% at weekend; service set-up costs are amortised over five years.

2.3.3 A focus on promotional pricing may result in higher prices for un-engaged consumers

Figure 20 shows how the lowest 'list' price of a basic broadband and landline service from the UK's largest providers has evolved over the last five years. The 'list' price is the standard price paid for a service, i.e. excluding any discounts, and as such represents the price that out-of-contract customers pay (or the price that in-contract customers pay after any introductory discount has expired). It shows that after years of relative stability, list prices have been increasing in real terms (i.e. adjusted for inflation) since 2013.

Figure 20 Price of basic residential fixed line rental and basic broadband services



Source: Ofcom / Pure Pricing UK Broadband Updates

Note: Adjusted for CPI; excludes line rental saver pre-payment tariffs and promotional discounts

Promotional discounting has become a more important element of communications pricing

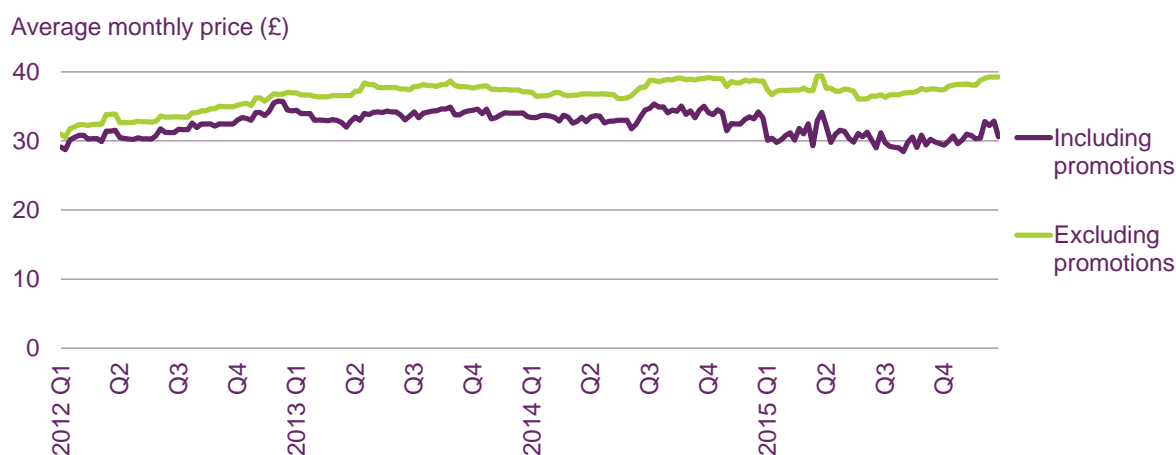
However, while standard 'list' prices have increased, consumers who switch providers or packages can usually get much better deals. Indeed, over time, the gap between promotional prices and the full, non-discounted price (i.e. the list price) has risen.

Figure 20 shows average standard list prices available for dual-play fixed broadband and voice tariffs, and average discounted prices. It indicates a growing gap between 'list prices' (which have increased) and promotional prices available to new customers. In Q4 2012 the average discounted dual-play price was 5% lower than the average list price, but by Q4 2015 this saving had increased to over 20%.

The form of these discounts varies. In some cases, a provider states explicitly at the outset that there is a discount offered for part of the contract (e.g. "six months half price"), or offers a one-off bill credit or retail vouchers, but in other cases a low price is offered for the entire minimum contractual period, with the price then increasing (more than doubling in some cases) at the end of the contract.

In January 2016, the Advertising Standards Authority announced that a number of changes to the rules around fixed broadband advertising would be introduced from 30 May 2016, including giving greater prominence to the contract length and any post-discount pricing and any up-front costs, and stating all-inclusive prices rather than separating out line rental where this is required.¹⁵

Figure 21 Average cost of a dual-play fixed broadband and landline bundle, including and excluding promotional discounts



Source: Simplifydigital

Note: The average monthly cost is calculated across each service's minimum contractual term; includes discounts given as bill credits and/or retail vouchers and those that last the entire length of the minimum contractual term.

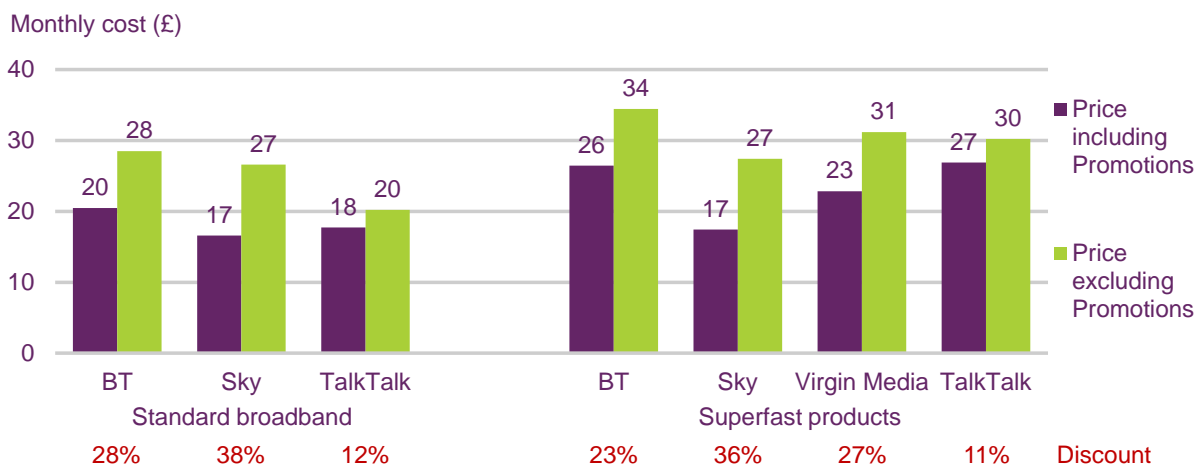
¹⁵ https://www.asa.org.uk/News-resources/Media-Centre/2016/ASA-signals-need-for-change-in-advertising-of-broadband-prices.aspx#.VqDCG_mLTGg

Heavy promotional discounts are now a commonplace feature in broadband pricing

TalkTalk's broadband pricing provides some insight into how dynamics in the market are changing. In 2013 TalkTalk introduced *Simply Broadband* as its basic tariff, which at £2.50 per month (plus line rental) was the lowest-priced dual-play fixed broadband and landline service among the UK's largest residential ISPs. By February 2016 the standard price for *Simply Broadband* had trebled to £7.50 per month, but it was being offered free (with line rental payable) for the first 12 months of the service's 18-month minimum contractual term.

Other operators have adopted similar pricing approaches. BT's unlimited ADSL service was £5 per month (plus line rental) in February 2016, increasing to £18 a month at the end of the 12-month contract, while Sky offered ADSL broadband free for a year (with line rental payable) increasing to £10 a month thereafter. Figure 22 outlines the difference in the discounted and non-discounted prices available for standard and superfast broadband services with a voice line from the UK's four largest fixed-line providers, based on tariffs available in July 2015. It indicates that all of the operators use promotional pricing, with similar levels of discounts for standard and superfast products.

Figure 22 Prices for a basket of fixed voice calls and fixed broadband, including and excluding promotional discounts



Source: Ofcom / Teligen, July 2015 data

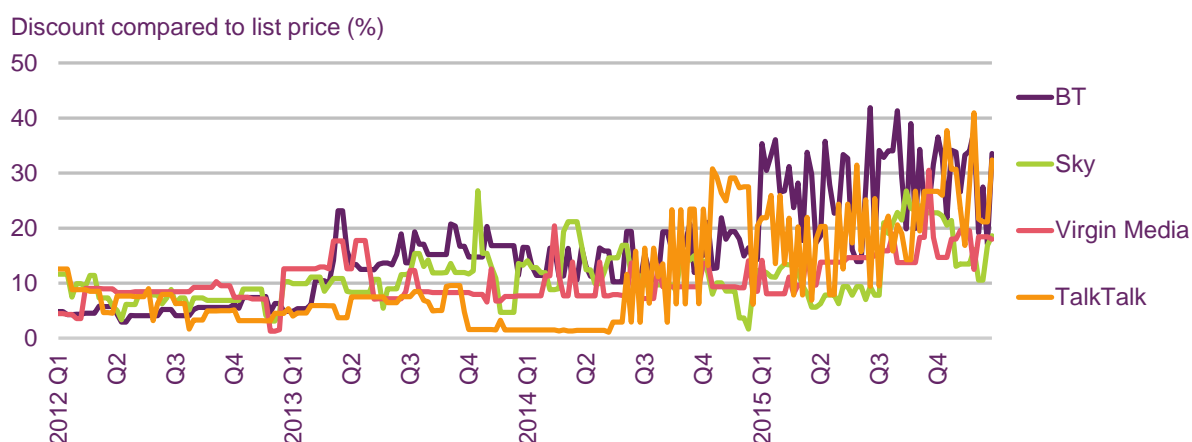
The depth of discounting has increased significantly over the past two years

Figure 23 is compiled from Simplifydigital data, and shows how the level of discounting from the major fixed operators has evolved over the last few years (the erratic nature of the levels of discount offered by providers indicates the frequency at which promotions are changed). The data show that the average promotional discount offered by the four largest UK ISPs (which is calculated as an average of the list price over the service's minimum contractual term) increased from 6% to 23% between Q4 2012 and Q4 2015.

In addition to the promotional discounts that are offered to new customers, engaged consumers who have reached the end of their contract can frequently get discounted offers from their existing service provider, although these are more difficult to quantify. Research conducted by Moneysavingexpert.com in 2014

highlighted that a majority of consumers who haggled with their communications provider reported success in securing a better deal.¹⁶

Figure 23 Promotional depth, by supplier dual-play fixed broadband and landline bundles



Source: Simplifydigital

Note: Graph shows the average depth of offers as a % of contract costs over the service's minimum term; includes discounts given as bill credits and/or retail vouchers and those which last the entire length of the minimum contract term.

The growing gap between standard and promotional prices indicates a market segmentation between engaged and non-engaged consumers

This trend, of discounting becoming common across all providers, accompanied by rising undiscounted prices, means that there is likely to be a growing gap between the prices paid by consumers who switch provider and those who do not.

The consumer impact of this shift to promotional price discounts will vary according to the characteristics of a particular consumer:

- Consumers who regularly switch between providers will benefit. For instance, a consumer who switches provider every 12-18 months, at the end of each contracted period, will be able to take advantage of providers' promotional discounts, never having to pay the full, undiscounted price to any provider.
- A consumer who switches provider less frequently may or may not benefit. For such consumers, the effect of falling short-term prices and higher undiscounted prices is difficult to ascertain and will depend on how long they stay with each provider. For example, a consumer who switched from provider X charging £25 a month to provider Y charging £15 for 12 months and £30 a month thereafter would be better off if they remained with provider Y for less than three years, but would be worse off if they stayed for longer than that.

¹⁶ <http://www.moneysavingexpert.com/poll/18-11-2014/which-of-these-firms-have-you-tried-to-haggle-with-in-the-last-year>

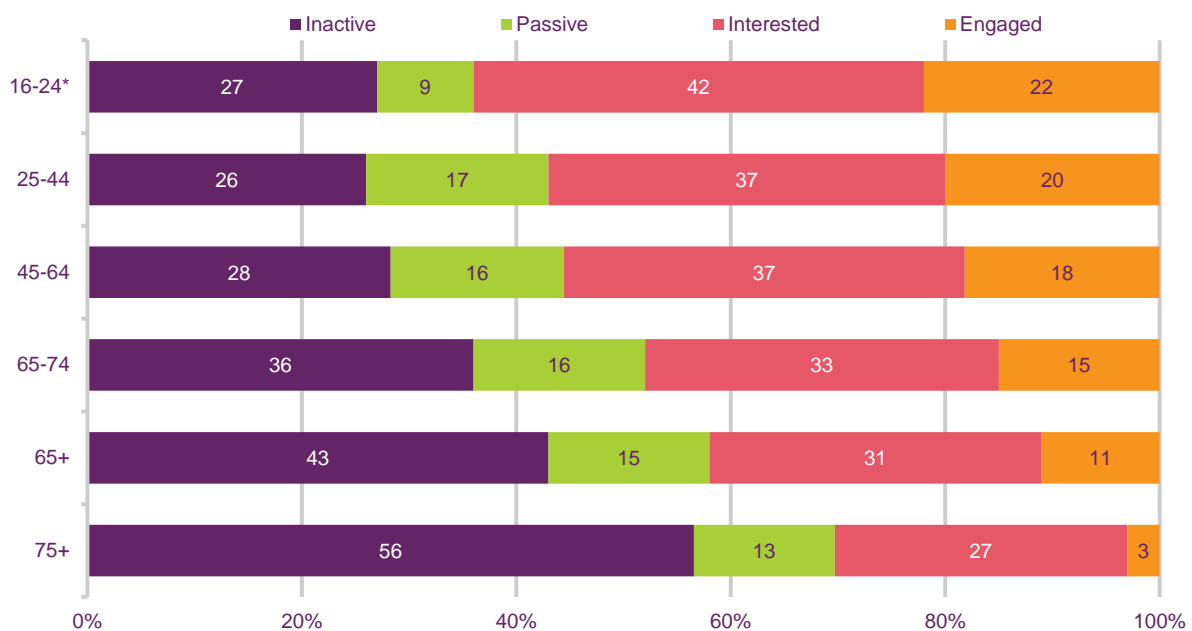
- Consumers who do not switch provider are likely to end up paying more if undiscounted prices rise while promotional prices fall – they will have to pay the former and will not benefit from the latter.

Research evidence on the extent and frequency of consumer switching suggests that the majority of consumers fall into the latter two groups, and that the overwhelming majority of consumers do not switch provider very often.

As set out in the Consumer engagement chapter (see Section 31 below), only 11% of broadband consumers indicated that they had switched provider during the previous 12 months. Moreover, 29% of broadband consumers were classified as being ‘inactive’ in the market with a further 16% classified as ‘passive’ (see Figure 25 in Section 31 below). This suggests that there is a significant group of consumers who are not taking advantage of the widespread price discounts and savings available to them and are instead paying higher prices as undiscounted list prices continue to rise. Older consumers are less likely than younger ones to be engaged in the fixed broadband market

Around a third of consumers are ‘inactive’, in that they have low interest in the market and do not keep up with it. It is these consumers who are most likely to be affected by the growing gap between promotional prices and list prices, and elderly consumers are most at risk: 45% of over-75s are ‘inactive’ and just 5% are ‘engaged’, compared to 35% inactive and 14% engaged across all UK adults.¹⁷

Figure 24 Fixed broadband market: level of engagement, by age



Source: Ofcom Switching Tracker, conducted by Saville Rossiter-Base, July - August 2015

Base: All adults aged 16+ who are the decision-maker for broadband (16-24, 75; 24-44, 590; 45-64, 804; 65-74, 267; 65+, 391; 75+, 124)

*Note: low base size (under 100), treat as indicative only.

¹⁷ See section 3.4 below for an overview of levels of participation in communications markets

2.3.4 Increasing complexity may reduce pricing transparency and lead to poor decision making

Although the proliferation of different types of discount and tariff (dual-play, triple-play etc.) increases choice for consumers, its downside is increase in price complexity. Pricing complexity may make it more difficult for consumers to navigate the market and compare tariffs, and increases the likelihood that some consumers will make sub-optimal choices. We recently published consumer research, in collaboration with the Advertising Standards Authority, which showed the negative impact of pricing complexity on broadband consumers.¹⁸ We found that many of them, having been shown broadband advertisements, were unable to correctly recall the total monthly price that was being offered. Common mistakes included:

- not taking account of the need to pay line rental fees on top of broadband prices;
- being unable to calculate the amount payable after any free or discounted introductory period;
- disregarding the total length of the contract; and
- ignoring any set-up, installation, delivery or activation costs.

Participants in the research also reported a particularly strong level of uncertainty and suspicion when the cost of the broadband service was advertised as 'free' and a volume of 'small print' was included in a footnote. Some participants reported that the effort and difficulty associated with looking into the small print of offers made them sceptical, and put them off looking further into the detail of what was being offered.

2.4 We are examining the impact of changing price trends on consumers

In our Proposed Annual Plan for 2016/17,¹⁹ we highlight that monitoring price increases, providing advice and information on pricing, and making sure all consumers receive value from their communications providers, will all be priority work areas.

Over the next few months we intend to examine in more detail whether consumers are being harmed by these price trends and what, if any, measures should be implemented to counteract them.

We welcome the fact that the Advertising Standards Authority plans to implement changes in the way in which broadband providers advertise their services, to come into force at the end of May 2016. Requiring providers to offer consolidated pricing for bundled line rental and broadband services may ease pressure on line rental prices by making them more visible to bundle customers. Similarly, the

¹⁸ https://www.asa.org.uk/News-resources/Media-Centre/2016/~//media/Files/ASA/Reports/Ofcom%20Fixed%20BB%20Advertising%20of%20prices_Futuresight_Final%20Report_FINAL.ashx

¹⁹ http://stakeholders.ofcom.org.uk/consultations/annual_plan_2016-17

requirement on operators to be clearer about promotional discounts is likely to make it easier for consumers to distinguish between promotional and list prices.

Nevertheless, we plan to do more to assess the implications of recent pricing trends for different types of consumers, including how prices vary for consumers taking different product sets (e.g. consumers taking voice services with and without broadband), and for consumers who are in or out of contract. To this end we are requesting additional information from operators on the actual prices paid by different consumer groups.

Alongside this we will further assess whether consumers are getting value from the market. This will include an assessment of how retail markets are serving different consumer segments, and the extent to which the trends of rising line rental prices, increasing consumer segmentation and growing price complexity are harming the interests of consumers.

Through our current reviews of voice and broadband markets we will ensure that there is effective competition in the supply of fixed telecoms services. We will also continue our work to increase consumer engagement, including by lowering switching barriers. As the data in this report indicate, while the UK communications markets continues to deliver good outcomes for consumers, it is essential that there is sufficient consumer engagement and price transparency if these outcomes are to continue.

Section 3

Consumer engagement

3.1 Introduction

To take advantage of competitive markets, consumers need to be equipped to shop around to obtain the best deal. This summary provides an overview of the extent to which consumers are interested in, and engaged with, each of the communications markets, and satisfied with their current provider. It also highlights why consumers switch or choose not to switch; this helps identify current and emerging barriers to switching.

Consumer information plays an important role in enabling interested consumers to participate in the communications market. This summary explores whether or not consumers know where to go to obtain comparative information to help them make informed choices.

3.2 Analysis points to note:

Data included in this summary have largely been drawn from Ofcom's annual Switching Tracker. These data have been supplemented by analysis from a recent programme of research (qualitative diary and online quantitative studies) focused on switching in the mobile market. The data tables, and associated slide packs (including full details of methodologies) from each of these studies are available on the website²⁰.

Please note the following:

- analysis among switchers generally exclude those who switch service provider(s) as part of moving house;
- the base for broadband represents those with fixed broadband rather than fixed or mobile broadband;
- ↓ Indicates significant decrease, ↑ indicates significant increase at 99% confidence level, compared to the previous year

The report provides a comparison of switching levels across total markets, and where sample sizes allow, compares switching by purchasing behaviour within markets; i.e. stand-alone fixed-broadband customer vs. bundled fixed-broadband customer. This allows us better to understand the impact of purchasing choices on switching behaviour.

This document covers the following key trends:

- consumer participation in communications markets;

²⁰http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/mobile_switching/

- switching in communications markets, including a comparison to other markets;
- attitudes to switching in communications markets;
- ease of switching in communications markets, including a comparison to other markets; and
- consumer information sources.

3.3 Key trends

- **Since 2014 there has been an increase in the proportion of ‘engaged’ consumers in each of the broadband and TV markets, and levels of interest have been maintained.** Over the past 12 months there have been small but significant increases in engagement in the broadband (from 14% to 18%) and TV (from 8% to 11%) markets (at a total market level). Engagement levels have returned to levels comparable with those in 2013 in both the fixed-line (14%) and mobile (18%) markets.
- **Switching levels have increased in most markets, following a dip in 2014, and are broadly comparable with those reported for gas and electricity.** Switching (in the last 12 months while remaining at the same address) in the fixed-line and mobile markets each increased by three percentage points since 2014 (from 6% to 9% for fixed-line and from 7% to 10% for mobile). Just under one in ten (8%) consumers had switched broadband provider, but switching remains lower for the main TV provider, at 4%. The increase in switching in 2015 follows a decline in all markets except TV in 2014, and brings levels closer to those reported for gas (10%) and electricity (11%).
- **One in ten consumers with a dual (11%) or triple-play bundle (10%) had used a different provider for at least one service in their bundle in the previous 12 months.** Eight per cent of dual-play customers had switched their entire bundle, compared to 7% among triple-play customers.
- **More consumers have taken up an offer of extra or improved services in the last year than have switched provider.** At least one in ten consumers (10% - 18%) in each communications market say they have taken up an offer of extra or improved services from their current provider in the last 12 months. This is more than the number of consumers who have switched to another provider, in each market.
- **Among inactive consumers, lack of a perceived cost benefit is the key reason for their lack of interest in changing provider.** Among those who do not agree that their provider is the best on the market, but who have not switched or considered switching, a perceived lack of cost benefit in switching is the most likely reason offered.
- **Reasons for considering, but not switching provider, vary by market.** In the broadband and TV markets ‘perceived hassle’ was the main reason why considerers had not switched (32% and 37%). In the fixed-line market it was ‘lack of perceived cost benefit’ (33%) and in the mobile market it was ‘terms and conditions’ (33%).

- **While a majority in each market report switching to be ‘easy’, around half of switchers in the fixed-line and broadband markets (when prompted) said they had experienced difficulties.** The switch least likely to be reported retrospectively as easy was ‘fixed line plus one other service’ (most commonly fixed broadband), at 81%.
- **Around a quarter of respondents consider it difficult to compare the costs of bundles of communications services.** Twenty per cent of respondents stated that it is, or would be, ‘difficult’ to compare the costs of stand-alone fixed-line services, and 24% said this about bundled services. This level of stated difficulty for bundled services is higher than in 2014 (up from 19%).

3.4 Consumer participation in communications markets²¹

We measure participation in communications markets by looking at a wide range of ways in which consumers can participate in the market, including by switching suppliers, staying informed, and being aware of changes in the markets. The segments analysed below are based on measures of past and present behaviour.

Consumers classified as ‘engaged’ have a high score for both past and present behaviour; they may have switched previously and are currently open to the idea of a new provider. Those classified as ‘inactive’ have a low score for both past and present behaviour; for example, they may not have switched or considered doing so in the past four years and are currently not reporting any interest in doing so.

3.4.1 Increase in engagement in broadband and TV markets, with maintained levels of interest

Following the decline in engagement reported in 2014, at a total market level, over the past 12 months there has been an increase in engagement in the broadband and TV markets. Engagement levels in 2015 are more than one in ten in each of the fixed-line (14%) and TV (11%) markets, and close to two in ten for each of the mobile (18%) and fixed broadband (18%) markets. Levels of interest have been maintained in each of the four markets in the past 12 months, and now stand at around four in ten in each of the fixed-line, fixed broadband, TV (each 37%) and mobile (36%) markets.

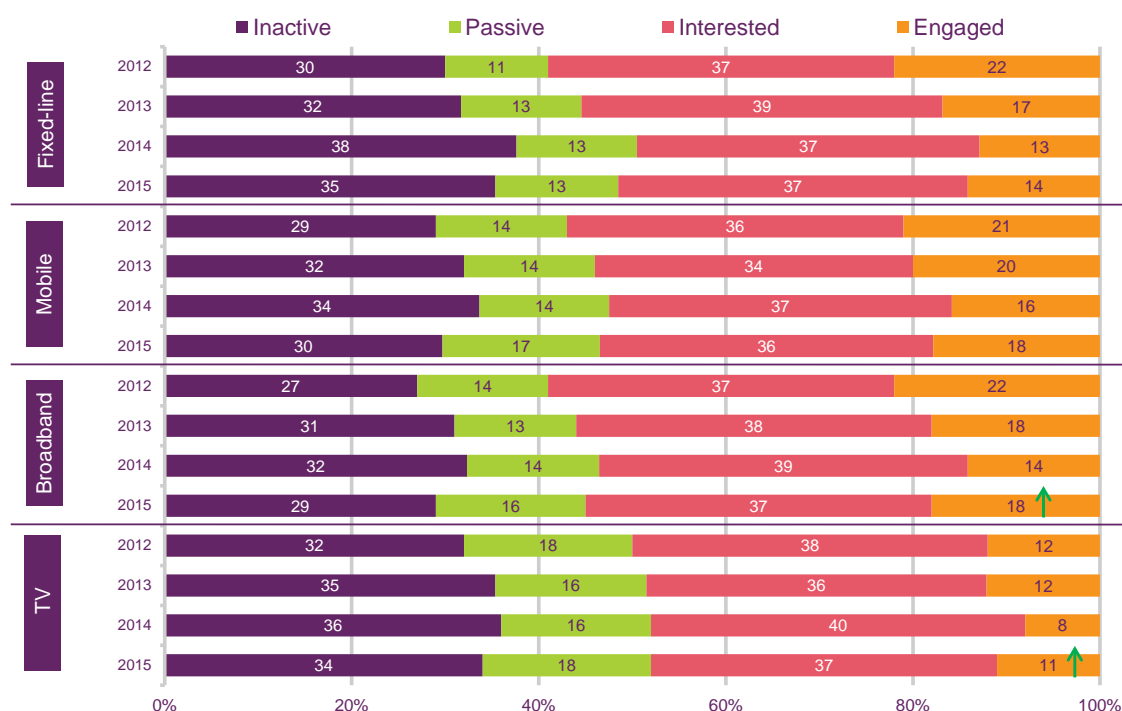
The following charts show the comparable trend in levels of participation between 2012 and 2015. Further trend data can be found in previous reports, on the Ofcom website²², but should be viewed as indicative only, as a change in methodology means that it is not directly comparable.

Levels of participation in each market are broadly comparable across socio-economic groups and by gender. Engagement for each market tends to be higher than average among decision-makers aged under 55, and lower than average among those aged 55 and over.

²¹ See Switching Tracker slide pack for further details on how these segments were calculated http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

²² <http://stakeholders.ofcom.org.uk/market-data-research/market-data/consumer-experience-reports/>

Figure 25 Trend in levels of participation, by total market



Source: Ofcom Switching Tracker, July - August 2012, 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (whole market, 1636 2012, 1596 2013, 1736 2014, 2199 2015), mobile (whole market, 1714 2012, 1718 2013, 1679 2014, 2609 2015), broadband (whole market, 1341 2012, 1291 2013, 1464 2014, 1877 2015), TV (whole market, 1483 2012, 1592 2013, 1723 2014, 2251 2015)

3.4.2 Levels of engagement and interest vary by purchasing behaviour

Fixed line

The proportion of consumers purchasing a fixed line as a stand-alone product was unchanged in 2015 (31%, the same as in 2014), following a continued decline over several years as consumers moved to bundled offers. At an overall level, the proportion of consumers classified as 'engaged' in the fixed-line market is also unchanged since 2014, at 14%. However, half as many consumers in the stand-alone fixed-line market remain 'engaged' (8%) compared to those who bundle this service (17%).

Lower engagement among stand-alone purchasers may be linked to the older age profile of this group of fixed-line customers; four in ten (40%) are aged 65+, and consumers in this age group are more likely than other age groups to be classified as inactive²³.

Broadband

The fixed broadband market is dominated by bundlers, with 77% of fixed broadband consumers purchasing broadband as part of a bundle (unchanged

²³ Unable to compare to the 16-24 age group as base sizes are too low

since 2014). While engagement in the fixed broadband market as a whole has increased since 2014 (from 14% to 18%, as reported above), the relatively small samples mean that analysis is unable to confirm whether either purchasing group is driving this change. Broadband customers who bundle are more ‘interested’ than stand-alone purchasers in this market.

TV

Purchasing behaviour in the TV market is skewed towards bundlers, with 63% (in line with 62% in 2014) of consumers purchasing TV services as part of a bundle²⁴. Engagement in the TV market as a whole has increased since 2014 (from 8% to 11%, as reported above). There are indications that this has been driven by those who purchase this service as a bundle – the proportion of inactive consumers in this market has fallen significantly, from 31% to 24%. Among those who purchase TV on its own (i.e. single service), half as many are engaged (8%) compared to those who bundle this service (16%), increasing the gap seen in 2014.

Participation levels also vary between those with pay TV and free-to-air; pay-TV consumers are significantly more likely to be engaged or interested (57% in total fall into one of these categories) compared to free-to-air consumers (35%), who are the least engaged.

Figure 26 Participation, by purchasing behaviour, for fixed line, broadband and TV²⁵

Participation index	Fixed line		Broadband		TV			
	Bundle (n=1553)	Single (n= 646)	Bundle (n= 1572)	Single (n=305)	Bundle (n=851)	Single (n=1400)	Pay TV (n=1302)	Free-to-air (n=948)
Engaged	17%	8%	18%	19%	16%	8%	15%	5%
Interested	37%	40%	38%	30%	41%	34%	42%	30%
Passive	13%	14%	16%	15%	18%	18%	19%	17%
Inactive	34%	38%	28%	36%	24%	40%	24%	48%
Engaged/interested	54%	48%	56%	49%	57%	42%	57%	35%

Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker for fixed-line fixed line (single purchase, 646, service in bundle, 1553), broadband (single purchase, 305, service in bundle, 1572), TV (single purchase, 1400, service in bundle, 851, pay TV, 1302, free-to-air TV, 948)

²⁴ Figures for pay TV are; 55% bundle up from 52% in 2014.

²⁵ Trend data on levels of participation can be found in the Switching Tracker slide pack http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

Mobile

The vast majority (95%) of mobile customers purchase their mobile service as a stand-alone service, which suggests that it continues to be purchased at an individual rather than a household level. Consequently there is relatively little bundling in this market, and this method of purchasing has had relatively little impact on overall engagement levels in this market. The proportions of consumers classified as 'engaged' in both the stand-alone (17%) and bundle markets (24%) are unchanged since 2014 and are not significantly different to each other.

Further demographic analysis on the participation index is available in the Switching Tracker slide pack, which can be found on the Ofcom website²⁶.

3.4.3 Between 3% and 5% of consumers across the communications markets are 'actively looking' at alternatives

Figure 27 shows further analysis of different types of 'engagement activity' that consumers have undertaken in each market, comparing these for each market as a whole and by purchasing behaviour. This type of behaviour has been categorised into four key groups: a) switched supplier – i.e. switched in the past 12 months; b) actively looking i.e. currently undertaking some form of assessment of their options; c) started looking but not switched i.e. undertaken some form of assessment, but not switched; and d) considered without looking i.e. considered a switch but not undertaken any form of assessment.

Further details on trends in switching and associated barriers are reported in section 3.5 and 3.6.

²⁶http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

²⁷http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

Figure 27 Trend in ‘engagement activity’ in the communications markets in the past 12 months



Source: Ofcom Switching Tracker, July - August 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (whole market, 1736 2014, 2199 2015) (single purchase, 409 2014, 646 2015) (service in bundle, 1327 2014, 1553 2015), mobile (whole market, 1679 2014, 2609 2015) (single purchase, 1614 2014, 2461 2015) (service in bundle, *65 2014, 148 2015), broadband (whole market, 1464 2014, 1877 2015) (single purchase, 149 2014 305 2015) (service in bundle, 1315 2014 1572 2015), TV (whole market, 1723 2014, 2251 2015) (single purchase, 1088 2014, 1400 2015) (service in bundle, 635 2014 851 2015). *Caution: Low base, treat as indicative only.

3.5 Switching in the communications market

3.5.1 Switching levels recover following the decline reported in 2014

Overall switching levels (i.e. all switches in the past 12 months) increased in the year to July/ August 2015, and following a decline in 2014, returned to levels similar to those in 2013/12. One in ten consumers had switched (including those who switched at the same time as moving home) in each of the fixed-line (11%), mobile (10%) and fixed broadband markets (11%). Most of this switching was at the same address, but a minority, in each of the fixed and fixed broadband markets, took place when the respondent moved home.

The total level of switching the main TV provider remains lower than the other markets, at 6% (including 2% who switched when moving house), but is higher than last year (3%). This increase in switching in the TV market since 2014 is evident in both the pay-TV market (from 3% to 7%), and among those with free-to-air TV services (2% to 5%).

Switching across all markets continues to be driven by consumers aged under 65 and did not vary significantly by gender, socio-economic group or location

(rural/urban) for any market in 2015. Further demographic analysis can be found in the Switching Tracker slide pack²⁷.

Figure 28 Switching in fixed-line, mobile, fixed broadband markets and TV markets in the past 12 months: year-on-year comparison²⁸

Switched in 12 months to Sept.	Sept 2015		Sept 2014		Sept 2013	
	Total	Excl. home move	Total	Excl. home move	Total	Excl. home move
Fixed line	11% ↑	9% ↑	7% ↓	6% ↓	11%	9%
Mobile	10% ↑		7% ↓		11%	
Broadband	11%	8%	8%	6%	11%	9%
Total TV	6% ↑	4% ↑	3%	2%	4%	3%
Pay TV	7% ↑	5% ↑	3%	2%	5%	4%
Free-to-air TV	5% ↑	3%	2%	1%	2%	1%

Source: Ofcom decision-making survey carried out by Saville Rossiter-Base in July to August 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (2015, 2199; 2014, 1736; 2013, 1596) mobile (2015, 2609; 2014, 1679; 2013, 1718), broadband (2015, 1877; 2014, 1464; 2013, 1291) total TV (2015, 2251; 2014, 1723; 2013, 1592), pay TV (2015, 1302; 2014, 1006; 2013, 908), Freeview (2015, 948; 2014, 717; 2013, 648)

3.5.2 Switching stands at around one in ten for both dual and triple play customers

As shown in the chart below, 11% of dual-play customers had previously used another provider for at least one of the services in their current package at their current address. The equivalent figure among triple-play customers is 10%. Eight per cent of dual-play customers had previously used another provider for their whole package, compared to 7% of triple-play customers who had switched provider for their entire package²⁹.

²⁷ http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

²⁸ Industry churn data includes all customers who have terminated their services from each supplier, excluding those who have reinstated their services, within a given time period (generally 12 months) and includes home-movers.

²⁹ 2% of dual-play bundlers switched from triple to dual, and 1% switched a single service to create a bundle. 3% of triple-play customers switched from dual to triple.

Figure 29 Trend in switching among bundlers in the past 12 months

Switched at least one service in bundle in last 12 months	Sept 2015		Sept 2014		Sept 2013		Sept 2012	
	Total	Excl. home move	Total	Excl. home move	Total	Excl. home move	Total	Excl. home move
Dual play	12%	11%	7%	7%	10%	8%	12%	11%
Triple play	11%	10%	7%	6%	10%	8%	10%	8%

Source: Ofcom Switching Tracker, July - August 2015, 2014, 2013 and 2012

Base: All adults aged 16+ who are the decision-maker for a dual-play bundle of services and a triple-play bundle of services (2012, dual 561, triple 413) (2013, dual 621, triple 405) (2014, dual 734, triple, 656) (2015, dual 645, triple 532)

3.5.3 Switching communications provider remains comparable with utilities

Consumers were asked whether they had switched supplier for other services and utilities within the past 12 months (Figure 30). Of the markets compared, consumers remained most likely to switch their car insurance provider in the 12-month period (35%). Switching in each of the electricity (11%) and gas (10%) markets has also remained relatively stable over the last four years. Comparatively fewer (3%) consumers have switched bank account provider, as in previous years.

The rise in switching levels in 2015 brings switching communications provider broadly back into line with switching in the electricity and gas markets, with the exception of TV.

Figure 30 Proportion of consumers who have switched utility supplier in the past 12 months

Switched in 12 months to Sept.	Sept 2015		Sept 2014		Sept 2013	
	Total	Excl. home move	Total	Excl. home move	Total	Excl. home move
Car Insurance	37%	35%	34%	33%	37%	36%
Electricity	16%	11%	16%	12%	15%	12%
Gas	15%	10%	16%	12%	14%	12%
Bank	4%	3%	3% ↓	3%	5%	5%

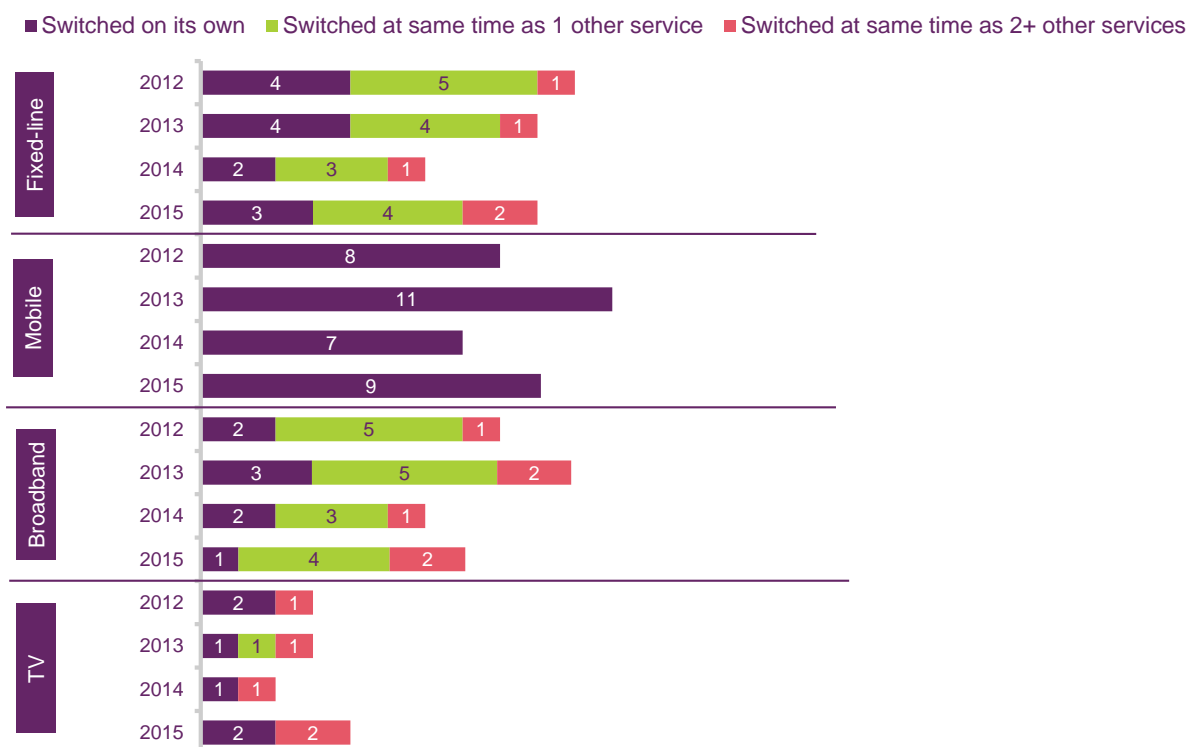
Source: Ofcom Switching Tracker, July - August 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for, car insurance (2015,1915; 2014, 1421; 2013, 1389), electricity (2015, 2363; 2014, 1728; 2013, 1589), gas (2015,2033; 2014, 1465; 2013, 1346), bank account (2015,2668; 2014, 1899; 2013, 1783)

3.5.4 Three in ten (30%) switchers in the communications markets changed provider for multiple services simultaneously

Just under one in five (16%) consumers across the communications markets had switched at least one service in the past 12 months (rising to 18% when including home-movers), and three in ten (30%) of these said they had switched at least two services simultaneously. Consistent with the increase in switching levels in most communication markets, the proportion switching at least one service in the past 12 months has increased since 2014.

Figure 31 Switching multiple services in communications markets in the past 12 months, by total market excluding home moves



Source: Ofcom Switching Tracker, July - August 2012, 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (1636 2012, 1596 2013, 1736 2014, 2199 2015), mobile (1714 2012, 1718 2013, 1679 2014, 2609 2015), broadband (1341 2012, 1291 2013, 1464 2014, 1877 2015), TV (1483 2012, 1592 2013, 1723 2014, 2251 2015)

Note: no respondents had switched other services at the same time as they switched mobile network.

3.5.5 More consumers have engaged in the market through taking up an offer of extra or improved services than through switching

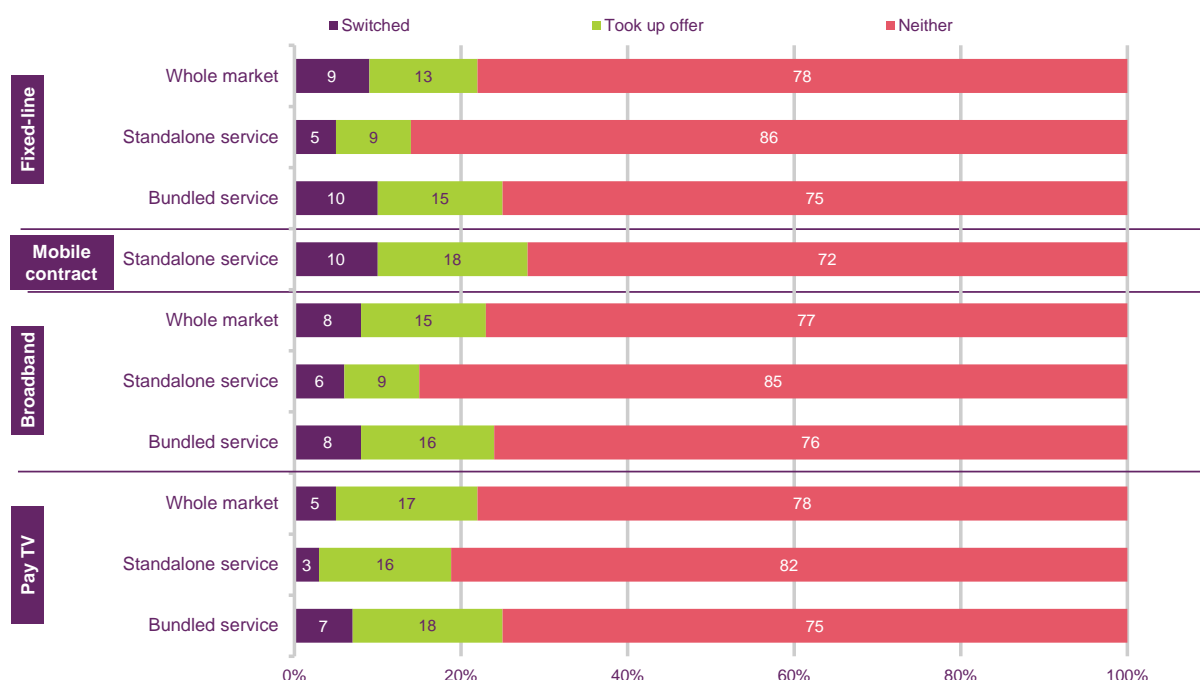
Figure 32 below shows the incidence of switching in the past 12 months, of consumers taking up an offer of a new deal with extra or improved services by their current provider, and of those that did neither, by communications market and by purchasing behaviour.

In each market as a whole, consumers are more likely to have taken up an offer of extra or improved services from their current provider than to have switched provider in the past 12 months. This is most evident in the pay TV market, where

more than three times as many consumers have taken up an offer than have switched (17% vs. 5%). Around twice as many have taken up an offer than switched in both the mobile (18% vs. 10%) and broadband (15% vs. 8%) markets, with less of a difference for fixed lines (13% vs. 9%). Consumers in the mobile market are more likely than those in the other markets to have taken up an offer with their existing provider.

In the fixed-line, broadband and pay TV markets, consumers purchasing the service as part of a bundle are more likely than those purchasing a stand-alone service to have taken up an offer of extra or improved services.

Figure 32 Switched provider or taken up offer of extra or improved services in past 12 months, by market and purchasing behaviour



Source: Ofcom Switching Tracker survey carried out by Saville Rossiter-Base in July to August 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (whole market, 2199 2015) (single purchase, 646 2015) (service in bundle, 1553 2015), mobile with contract (single purchase, 1724 2015), broadband (whole market, 1877 2015) (single purchase, 305 2015) (service in bundle, 1572 2015), pay TV (whole market, 1303 2015) (single purchase, 506 2015) (service in bundle, 797 2015).

3.6 Attitudes to switching in the communications markets

3.6.1 Cost and poor service are the main stated reasons for switching

Those who had switched provider in the past 12 months were asked to say – without prompting – why they had switched. Figure 33 shows responses in each market in 2015 and when the same question was asked in 2013.

Cost (i.e. switching for a better price/ cheaper deal) was the main stated reason among switchers in each market, both in 2015 and in 2013. More than half of all switchers gave cost as a reason for switching, ranging from 55% (broadband) to 73% (TV). In each market, and in both 2015 and 2013, the second main reason given was poor service from the previous supplier. Poor service was mentioned as

a reason for switching by less than one-third in each market, ranging from 14% in the TV market to 29% in the fixed broadband market.

Switching in order to bundle services together with one supplier was stated as a reason by more than one in ten in the fixed-line (12%) and TV (14%) markets. Other key reasons for switching were unique to particular markets. The third most popular reason for switching for switching mobile was reception/ signal (19%), for broadband it was faster speeds (15%), while one in ten (10%) switching TV service said it was to get more channels.

Figure 33 Reasons for switching provider in the past 12 months, by market

	Fixed-line		Mobile		Broadband		TV	
	2015	2013	2015	2013	2015	2013	2015	2013*
For a better/ cheaper price/ deal	61%	62%	64%	54%	55%	56%	73%	54%
Poor service from previous supplier	28%	25%	18%	20%	29%	29%	14%	23%
To bundle two or more services together with one supplier	12%	15%	2%	2%	6%	13%	14%	5%
For better reception/ signal			19%	15%				
Good experience with new supplier for other services previously	4%	11%	3%	1%	3%	0%	4%	4%
Faster broadband speeds					15%	15%		
Better range of tariffs/ price plans	4%	11%	6%	1%	3%	3%		
For a better/ wider choice of channels							10%	18%
Better choice/ price of phone handsets			11%	13%				
New supplier recommended by someone I know	1%	2%	3%	4%	1%	1%	1%	1%
To get a 4G service			4%	5%				

Source: Ofcom Switching Tracker, July - August 2013 and 2015

Base: All adults aged 16+ who are the decision-maker and have switched provider in the last 12 months for fixed line (223 2015, 159 2013), mobile (244 2015, 160 2013), broadband (180 2015, 141 2013), TV (113 2015, 54* 2013). *Caution: Low base size, treat as indicative only.

3.6.2 Most switchers said they were happy with their decision to switch

The majority of switchers said they were happy with their decision to switch. Across each of the markets, between 4% (mobile) and 12% (fixed broadband) of switchers said they were unhappy with their decision. Levels of happiness and unhappiness have not changed since last year.

People who had considered switching their fixed broadband provider or their TV service provider, but then didn't, were the most likely to say they were unhappy with their decision not to switch (both 33%). Further details can be found in the Switching Tracker slide pack³⁰.

3.6.3 Reasons for considering switching provider but not doing so vary by market

The following section explores the reasons why consumers consider switching, but do not switch, by market. As noted above (Figure 28), around one in ten consumers in all except the TV market (one in 20) have switched their provider in

³⁰http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

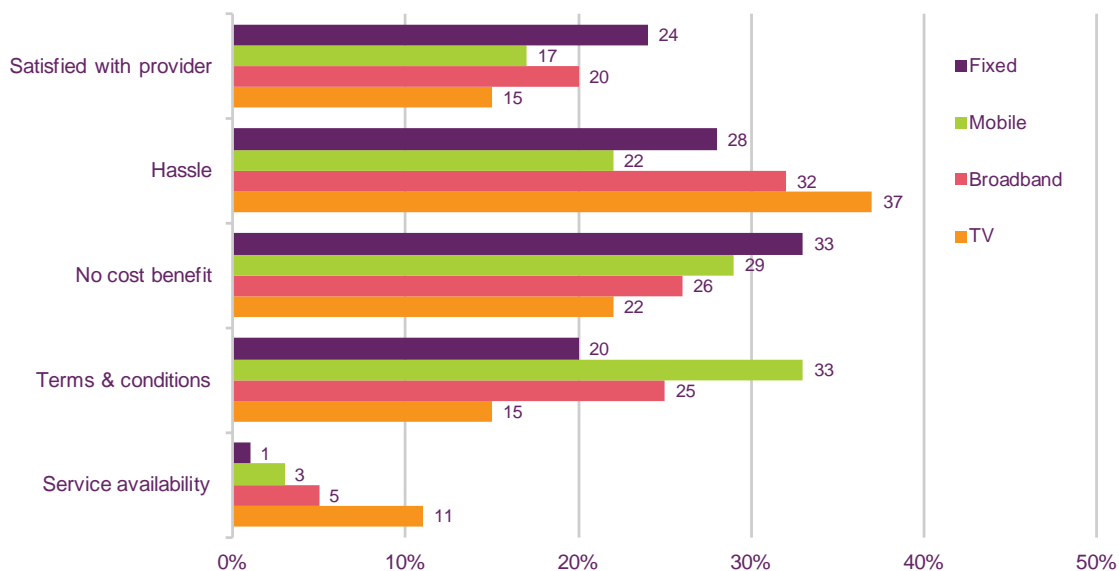
the past 12 months. Similar proportions (3-5%) of consumers, across markets, say they are 'actively looking for an alternative provider'. However, a higher proportion said they either started looking but didn't switch (4-6%) or considered switching but didn't start to look (4-7%) (Figure 27).

In the fixed-line market, lack of perceived cost benefit (33%), hassle (28%) and current satisfaction (24%) are the most-mentioned reasons for not switching provider, with terms and conditions mentioned by fewer respondents (20%). Conversely, in the mobile market 'terms and conditions' was the most-mentioned reason for not switching provider (33%), as had also been the case in 2014 (39%). This is likely to relate to the relatively high proportion of 24-month contracts: since early 2010 at least six in ten new mobile contract connections have had 24-month contracts. This reason was followed by 'lack of cost benefit'.

In both the fixed broadband (32%) and TV markets (37%), 'hassle', or at least 'perceived hassle' was the main reason given by considerers for not switching, and the second most-often cited factor for considerers in the fixed-line market (28%). Responses suggest the term 'hassle' can imply two problems: 'insufficient time' or 'hassle to set up the service'. In the TV and broadband markets the highest proportions of respondents said they were 'too busy/don't have time to research the options', at 25% and 20% respectively. Around one in ten in each market said they didn't switch at least partly due to the perceived hassle of setting up the new service (from 9% in the mobile and broadband markets to 12% for TV).

As shown in Figure 32, in each market consumers are more likely to have taken up an offer of extra or improved services from their current provider in the past 12 months than to have switched provider. It is possible that those consumers who stated 'satisfaction' and 'no cost benefit' as reasons for not switching include those who did not switch because they were offered a better deal to stay with their existing provider.

Figure 34 Reasons for considering, but not switching provider



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker for each service who have considered switching but did not switch (fixed line, 189) (mobile, 259) (broadband, 239) (TV, 165).

3.6.4 Lack of perceived cost benefit is the key reason given for lack of interest among 'inactive' consumers

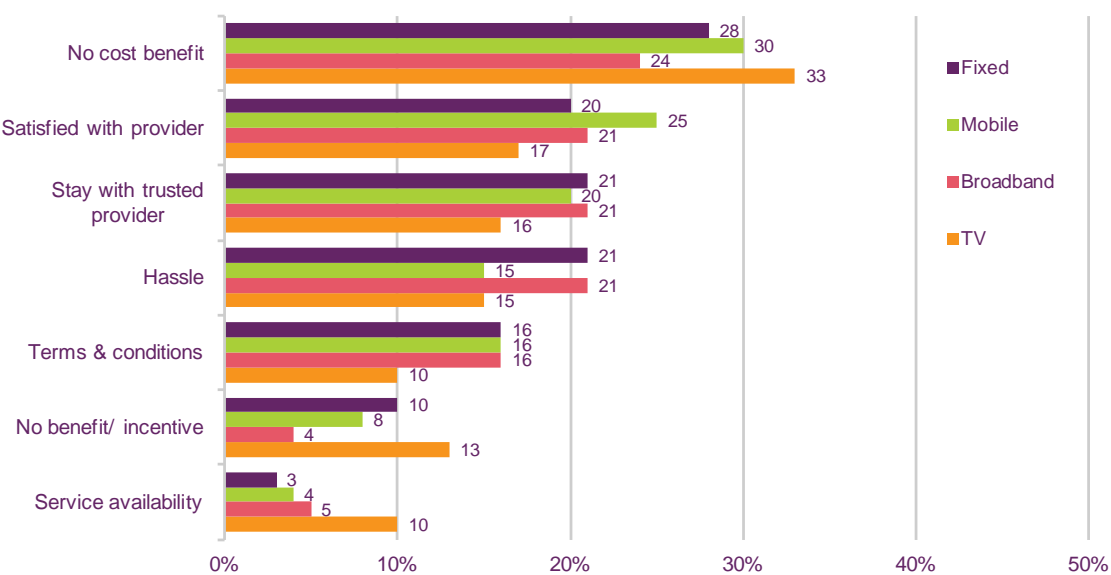
Decision-makers who do not agree that their provider is the best on the market, but have neither switched nor considered doing so in the past 12 months, were asked for spontaneous reasons why they were not interested in changing provider, for each relevant service. Their reasons have been grouped into themes, shown in Figure 35 below. This group of decision-makers provide a good indication of the reasons for not engaging among 'inactive' consumers in each market, as they account for the vast majority of this segment.

The reason that consumers are most likely to give for their lack of interest in changing provider is the perceived lack of any cost benefit (24%-33%, across communications markets). The perceived lack of cost benefit is the primary reason given for not changing TV service provider (33%), and is more likely to be mentioned by those who *don't* currently have a pay TV service (41%).

Although these inactive decision-makers did not agree that their current provider was the best on the market, their next most likely reasons for not being interested in changing provider were that they were satisfied or perhaps 'happy enough' with their current provider and would prefer to stay with a trusted or known provider. These reasons were given by between 17% to 25% of inactive decision-makers across the markets.

The perceived hassle of switching to, and setting up with, a new provider was more likely to be stated as a reason for not being interested in changing fixed-line or broadband provider (both 21%) than for mobile or TV services (both 15%). Beyond the general perception of 'hassle', this concept includes two specific areas of difficulty: 'setting up a new service' and 'time taken to search and switch'. This is consistent with qualitative evidence which suggests that the actual switching process does not come to the fore until consumers weigh up their options and make a final decision.

Figure 35 Reasons given for lack of interest in changing provider among inactive consumers who do not agree that their provider is the best on the market



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker for each service who have not switched or considered switching providers in the last 12 months, are not looking for a new provider and do not agree their provider is the best on the market (fixed line, 751) (mobile, 862) (broadband, 561) (TV, 766)

3.6.5 Focus on non-switchers in the mobile market

A bespoke quantitative study, focused on the mobile market, provides a more detailed understanding of the factors that influence decisions for 'mobile considerers' i.e. those who decide to stay with their current provider following some form of engagement. Respondents were asked to categorise the factors that might have influenced their decision not to switch as either: 'not a factor at all', 'a minor factor' or 'a major factor'. Any who reported multiple major factors were asked which they considered to be the main one. Full details of the methodology and approach can be found in the full slide pack³¹.

Consistent with the Switching Tracker, these research results highlight 'satisfaction with/trust in current provider' and/or 'lack of perceived cost benefit' as the main reasons for respondents staying with their existing provider. They also illustrate the relatively high proportions of 'considerers' who accept a deal with their existing provider rather than switch (40% said this was a major factor in their decision).

Despite these positive reasons for not switching, the research finds that the actual or anticipated process of switching has at least some impact on these consumers' decisions. Just under two in five considerers who decided not to switch (38%) mentioned that a major factor in their decision was a desire not to lose their phone number. Around a fifth expressed concerns that it was too time-consuming (19%), that they might lose their service during the switch (17%), or be required to pay for two services at once (17%).

³¹ http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/mobile_switching/quantitative/

Figure 36 Factors influencing decision not to switch, among those who considered switching in the past 12 months

Factors influencing decision (% of considerers): Ordered on major mentions.	Major	Minor	Main
Current provider is still the best deal/cheapest	54%	27%	20%
Prefer to stay with trusted/ known provider	44%	39%	5%
There wasn't enough difference in cost to be worth switching	44%	34%	5%
Current provider has the best quality of service (e.g. network coverage)	43%	32%	5%
I negotiated/accepted a deal with my current provider	40%	21%	12%
Did not want to change my mobile number	38%	25%	5%
Worried service wouldn't be as good with new provider	35%	39%	3%
Didn't want to pay the upfront cost of the new handset	35%	27%	2%
Problems/ issues with current provider are not sufficiently bad/ frequent to switch	29%	34%	1%
Better handsets available with my current network/ didn't see any other handsets I liked	22%	24%	1%
I was still in a contract so couldn't leave/would need to pay to leave	21%	15%	3%
Didn't want to lose friends and family or other call discounts	19%	21%	2%
It's too time consuming to go through the process of switching from one provider to another	19%	38%	2%
Hassle to set up a new online account	18%	30%	1%
Difficulty comparing what other providers were offering	17%	29%	1%
I was worried I might not be able to use my mobile during the switch	17%	32%	1%
I was worried I might have to pay two providers at the same time	17%	20%	1%
Lack of choice	16%	29%	1%
Didn't want to lose the content stored in the cloud service provided by my existing provider (e.g. O2 cloud service NOT)	14%	16%	<1%
Bad experience switching other services previously	14%	19%	1%
Bad experience switching my mobile provider previously	14%	15%	1%
Handset is locked to current network and I don't want a new handset	12%	19%	1%
Not knowing what to do to switch	12%	26%	2%
Would take too long to research the market	11%	30%	1%
Difficulty when contacting my current provider	11%	19%	1%
I had difficulty getting the code I needed from my current provider (i.e. the PAC)	10%	15%	<1%

Source: Ofcom mobile quant study, conducted by BDRC, August - September 2015

Base: All who considered switching (500)

Tables ordered by main, then major. *'Main' figures may not total the net precisely, due to rounding.

3.7 Ease of switching in communications markets

For consumers to take advantage of the increasing competition in the communications markets, and for communications markets to work effectively, consumers must be able to switch with comparative ease, if they choose to do so.

3.7.1 Most switchers say in retrospect that it was easy to switch, but many had experienced difficulties along the way

This section looks at the trend in stated ease of switching, among those who have ever switched. Caution should be applied when making trend comparisons, as differences may reflect changes to the demographic profile of switchers, rather than a real change in the ease of switching, particularly given the increase in switching levels (for all services except broadband) noted this year.

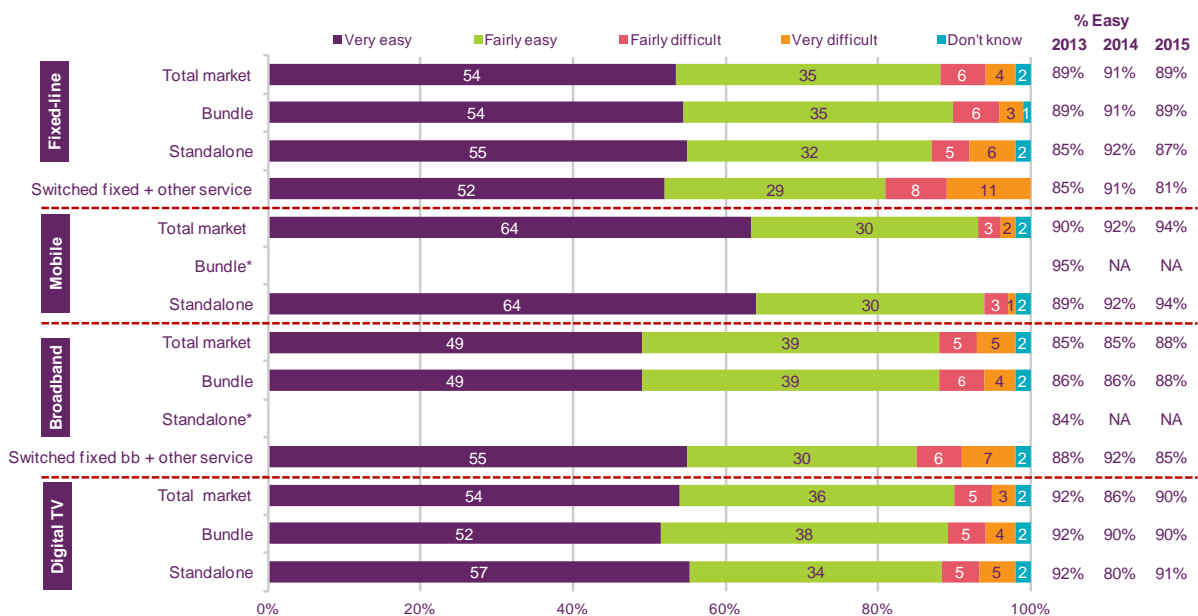
Qualitative evidence from our 2015 mobile switching research provides additional context to the consumer switching experience that should be borne in mind when viewing data on the stated ease of switching. Ofcom's mobile switching diary study followed potential mobile switchers through their 'journey' and observed a difference in stated ease, between that reported in the diaries and that reported

after the switch was completed. The study suggested two reasons for this: respondents taking personal responsibility for the difficulties they had faced, and adjusting their score accordingly; and ‘post-rationalisation’ – forgetting the difficulties once they were enjoying the benefits of the new device/service. A quote from a participant in the diary study illustrates this: “I did it!! Hurrah! Who would have thought...?!”³².

Given these insights, the following section analyses quantitative data on ‘ease of switching’ alongside more detailed questioning around the experience.

Ofcom’s Switching Tracker provides an understanding of how ‘ease of switching’ reported after the event compares across different types of switching (i.e. between markets and between different combinations of services being switched). It finds that the switch most likely to be stated as ‘difficult’ is one that involves the fixed line plus one other service (most likely fixed broadband). Nearly a fifth (19%) of these switchers said they found it either very, or fairly, difficult to switch. The mobile market reported the lowest levels of difficulty, at 5%.

Figure 37 Consumer opinions about ease of switching supplier, by purchasing behaviour, among those who have ever switched



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker and have ever switched provider for fixed-line (2015, 842), mobile (2015, 1228), broadband (2015, 734), TV (2015, 451)

*Too few interviews were conducted with mobile bundle consumers who had switched, broadband stand-alone consumers who had switched, and mobile and TV consumers who had switched multiple services at the same time.

Ofcom’s Switching Tracker also asked non-switchers for their perceptions of how easy or difficult it might be to switch, in each of the communications markets. The mobile market and the TV market returned similarly low levels of perceived

³² Mobile Switching Diary Study – qualitative report can be found at http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/mobile_switching/qualitative/

difficulty in switching among non-switchers, at 12% and 14% respectively. Just under twice as many non-switchers in each of the fixed voice and fixed broadband markets perceived switching to be either very, or fairly, difficult (both 20%). This perception may increase the 'hassle' barrier for some potential switchers.

On this measure of ease of switching among switchers, in the other markets we compared, car insurance (which has the highest level of yearly switching, at 35%) continues to have the lowest level of difficulty, at 3%. In comparison, among respondents who had switched bank account in the past 12 months (which has one of the lowest switching levels, at 3%), the proportion saying this was difficult was higher, at 12%. This compares to 4% and 5% for gas and electricity respectively. Further analysis, including trend data, can be found in the Switching Tracker slide pack on the Ofcom website³³.

3.7.2 Around half of switchers experienced difficulties when switching provider

As noted above, it is useful to consider the data above on ease of switching alongside other evidence relating to the consumer experience of switching.

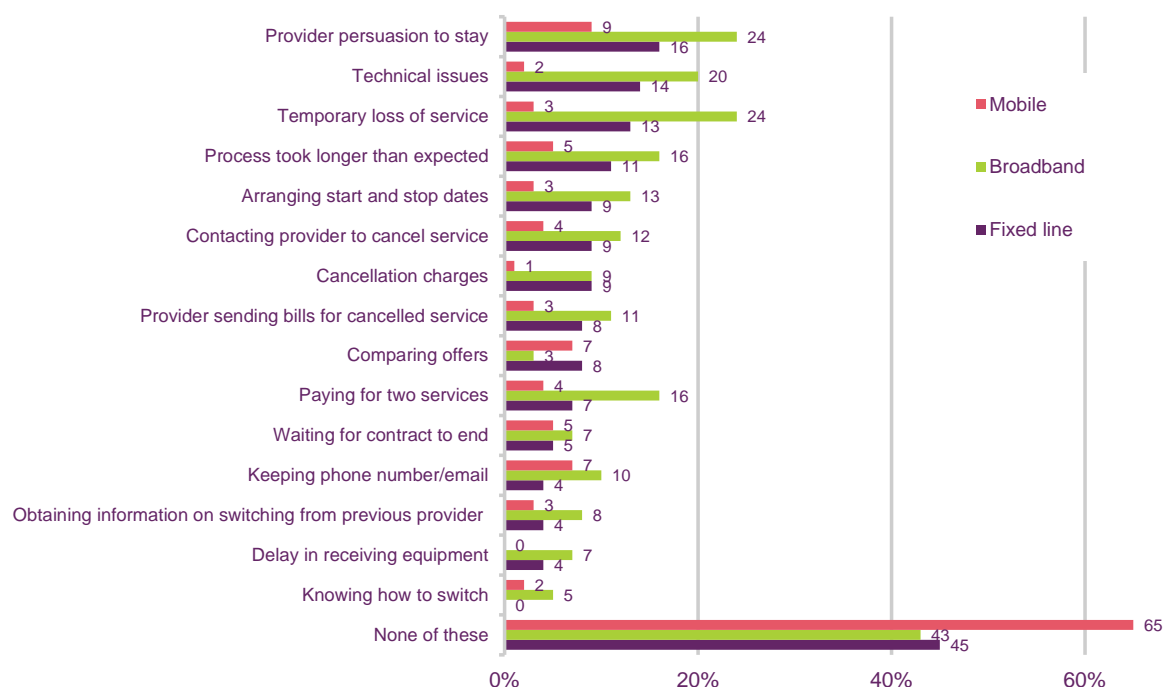
When prompted, around half the switchers in each of the fixed-line (55%) and fixed broadband (57%) markets, and about a third of switchers in the mobile market (35%) said they had experienced some difficulties during their experience. Respondents were read out a list of potential issues and asked if they had experienced any of them. Given the relatively low levels of switching in the TV market, sample sizes were too low to provide comparative analysis. The low base sizes for each market result in large error margins and therefore reduce the ability to draw conclusions about trend. None of the changes since last year are statistically significant, so these data are not shown.

In the fixed-line and broadband markets, three particular difficulties had been experienced at similar levels in each respective market (each was mentioned by more respondents for broadband than for fixed line): 'provider persuasion to stay' (16% for fixed line, 24% for broadband), 'technical issues' (14% for fixed line, 20% for broadband) and 'temporary loss of service' (13% for fixed line and 24% for broadband).

In the mobile market no individual difficulty was mentioned by more than one in ten switchers. The top three issues mentioned by mobile switchers were 'provider persuasion to stay' (9%), 'keeping my phone number' (7%) and 'comparing the different offers available' (7%).

³³http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

Figure 38 Experience of (prompted) difficulties among those who had switched fixed-line, broadband or mobile provider in past 12 months³⁴



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who switched provider in the past 12 months for fixed-line (170) mobile (244) and broadband (134).

3.7.3 Focus on the switching experience in the mobile market

In 2015 Ofcom commissioned a quantitative study among mobile switchers. As with the approach used for considerers, respondents who had switched were prompted with a list of potential 'difficulties' that they may have faced when switching mobile provider. They were asked to state whether each was 'not a difficulty at all', 'a minor difficulty' or a 'major difficulty'. Those stating multiple major difficulties were asked to say which of these was the 'main' one. Full details of the methodology and approach can be found in the full slide pack³⁵.

This study reported lower stated ease of switching than did the Switching Tracker (78% vs. 94%), which may be at least partly explained by the different methodology and approach to the questionnaire; here, respondents were prompted on aspects of their experience to help them recall the event. This study found correlation between the stated ease of switching and experience of difficulties; i.e. when fewer difficulties were reported, stated ease was higher. For example, among respondents who did not experience any major difficulties when switching, stated ease stood at 92%, falling to 61% among those who had experienced major difficulty with at least one of the aspects listed in Figure 39.

³⁴ The low base sizes for switchers in each market mean %s are subject to fairly large error margins. For example the proportion of broadband switchers experiencing difficulty with a 'temporary loss of service' lies between 15%-34%.

³⁵ http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/mobile_switching/quantitative/

This study was able to provide a more robust and detailed understanding of the experience of switchers in this market than is possible via the Switching Tracker, due to its focus on a single market and the larger sample of mobile switchers (c. 1300). A similar study was carried out among switchers in the other communications markets, which we will report on later in 2016.

The key findings on experience of difficulties are illustrated below. While no difficulty was mentioned by a majority of mobile switchers, nearly two-fifths (38%) said they had experienced major difficulty with at least one (prompted) aspect during their switch.

Figure 39 Experience of difficulties among those who have switched mobile provider in past 18 months

Experience of difficulties (% of switchers): Ordered on 'main' mentions	Major	Minor	Main
Contacting your old provider	11%	23%	3%
Cancelling your previous service	10%	27%	3%
Keeping your phone number	10%	24%	5%
Getting the information you needed from your previous provider	9%	27%	2%
Unlocking your current/your previous handset	8%	21%	2%
Getting the switch to happen on the date you wanted	8%	21%	3%
Your previous provider trying to persuade you to stay	7%	21%	3%
Understanding the relevant steps required to switch provider	7%	27%	2%
Finding time to research the market	6%	26%	2%
Contacting your new provider	5%	19%	2%
Comparing what different providers are offering	5%	19%	2%
Paying the charge to exit your contract early	4%	9%	2%
Moving content from one cloud storage to another (i.e. to or from a Cloud service provided by a mobile provider)	3%	11%	1%
Paying the upfront cost of the new handset	3%	10%	1%
Setting up a new online account	3%	15%	1%
Any difficulty mentioned	38%	70%	-

Source: Ofcom mobile quant study, conducted by BDRC, August - September 2015

Base: All switched in last 18 months (1306) Data include codes with over 1% responses

Tables ordered on main, then major. 'Main' figures may not total the net precisely due to rounding.

3.8 Consumer information sources

In order for consumers to take advantage of competition in the communications markets they must be able to compare alternative providers with relative ease. This section reports on participants' awareness of trusted sources of information and their stated ease of making comparisons across communications markets.

3.8.1 The internet continues to dominate as the main source of trusted information

Participants were asked whether they could spontaneously name any information sources where they could find out about:

- fixed-line providers, price plans and tariffs
- mobile phone handsets, price plans and tariffs, and network providers
- broadband speeds, price plans, packages and providers
- ways of receiving multi-channel TV, channel packages and providers
- providers offering packages of services, and the types of packages available

Over 90% could name at least one source of trusted information on aspects of the mobile (93%), broadband (95%) and bundle markets (98%). Among those with a bundle, this is an increase in awareness of trusted information sources since 2014 (from 92%). The proportion who were able to cite at least one source of information on the fixed-line market (88%) and the multi-channel TV market (89%) was lower than for the other markets, with no change since 2014.

However, awareness of trusted sources of information is lower among older consumers, for each of these markets. The proportion of consumers aged 65+ who are unaware of any trusted sources of information is about double the average in each market, ranging from 5% in the bundled services market to 26% in the fixed-line market. This lower awareness may indicate a lack of interest in these markets, but may also act as a barrier to switching, by increasing the perceived level of hassle for these consumers in searching for alternatives.

Figure 40 Actual sources of trusted information

	Landline providers, price plans and tariffs	Mobile phone handsets, price plans and tariffs and network providers	Broadband speeds, price plans and packages and providers	Ways of receiving multichannel TV, channel packages and providers	Providers offering packages of services and the types of packages available
Websites of suppliers/service providers	15%	15%	15%	13%	8%
Cost comparison websites	20%	15%	19%	13%	13%
Internet in general	47%	44%	54%	48%	62%
Family members	19%	22%	21%	23%	16%
Friends	14%	18%	16%	16%	13%
Colleagues	3%	3%	4%	3%	3%
Supplier already using for this service	5%	6%	4%	5%	3%
Another supplier not already using	2%	3%	2%	3%	2%
Visit shop/ store selling the technology/ device	2%	16%	2%	3%	2%
Magazines/ newspapers	3%	2%	3%	2%	4%
TV/ radio programmes/ advertising	1%	1%	2%	2%	2%
Leaflets in store/ post	2%	2%	2%	2%	1%
Government body/ regulator	1%	*%	1%	*%	*%
Other source of information	2%	1%	2%	1%	2%
Would not look for information/ advice	4%	2%	1%	4%	1%
Don't know	8%	5%	4%	7%	1%

Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker for fixed-line (2199), mobile (2609), broadband (1877), TV (2251), bundles (1297).

3.8.2 Around a quarter of consumers consider it difficult to compare the costs of bundles of communications services

The different ways in which consumers use their devices, and the vast number of alternative tariffs and packages available, make it important that consumers are relatively easily able to make comparisons between providers, on the aspects important to them.

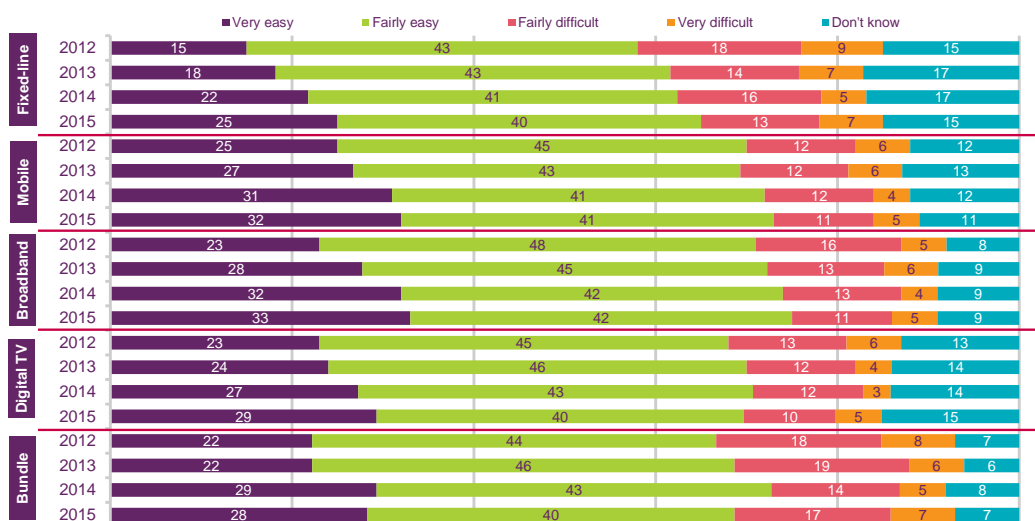
The following analysis focuses on the ease of making cost comparisons within each of the communications markets and in relation to comparing the costs of bundles of services. Further trend data on ease of making cost comparisons are available in previous reports, although data prior to 2012 are based on stand-alone purchasers only.

Consumer opinions on the ease of making cost comparisons are gradually becoming more comparable across markets. While consumers continue to be less likely to say it is easy to make comparisons in the fixed-line market (65%), stated ease of comparing costs is broadly comparable across each of the other markets, at around seven in ten (69% - 75%). But across markets, varying proportions of participants were unable to give a response, and it is interesting to look at the proportion who said it was 'difficult' to make this type of comparison. This analysis suggests that the greatest difficulty is in comparing the costs of bundled services, with 24% saying it is, or would be, difficult to do. The second highest number of mentions relate to comparing the costs of fixed-line services, with 20% saying it is, or would be, difficult to do.

In almost all cases, consumers' opinions on the ease of making cost comparisons are unchanged since 2014. Those with bundled services, however, are now more

likely to say it is, or would be, difficult to make cost comparisons (24%, up from 19%).

Figure 41 Consumers' opinions on the ease of making cost comparisons



Source: Ofcom Switching Tracker carried out by Saville Rossiter-Base in July to August 2012, 2013, 2014 and 2015. Further trend data are available in previous reports, based on single service purchasers only. Base: All adults aged 16+ who are the decision-maker for fixed-line (2012, 1636) (2013, 1596) (2014, 1736) (2015, 2199), mobile (2012, 1714) (2013, 1718) (2014, 1679) (2015, 2609), fixed broadband (2012, 1341) (2013, 1291) (2014, 1464) (2015, 1877), TV (2012, 1483) (2013, 1592) (2014, 1723) (2015, 2251), and decision-makers for those with any bundle (2012, 1079) (2013, 1133) (2014, 1374) (2015, 1297). There will be overlap between bundlers and data for each market.

3.8.3 Consumers in rural areas are more likely than those in urban areas to say it is difficult to make mobile coverage and broadband speed comparisons

Around half (53%) of all consumers in the mobile market state that it is very or fairly easy to make coverage comparisons (in terms of network availability and signal strength) between mobile phone network suppliers; around three in ten (29%) say that these comparisons are difficult. Those in rural areas are more likely than those in urban areas to say it is difficult to make coverage comparisons (38% vs. 27%). While these responses have not changed to any significant extent since 2014, it appears that mobile consumers are more likely to rate this comparison as easy in 2015 than they were in 2012 (53% vs. 43%). Responses do not vary to any significant extent by age, socio-economic group or gender.

Figure 42 Consumers' opinions on the ease of making mobile coverage comparisons, by urbanity



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the mobile decision-maker (UK total, 2609) (urban, 2115) (rural, 378).

Nearly two-thirds (63%) of fixed broadband customers say that it is, or would be, very or fairly easy to make broadband speed comparisons between service providers. A quarter (27%) say that these comparisons are difficult, and a further one in five (19%) do not know. Those in rural areas are more likely than those in urban areas to say that it is difficult to make broadband speed comparisons (34% vs. 22%). While responses have not changed to any significant extent since 2014, it appears that broadband consumers are more likely to rate this comparison as easy in 2015 than they were in 2012 (63% vs. 51%). Responses do not vary to any significant extent by age, socio-economic group or gender.

Figure 43 Consumers' opinions on the ease of making broadband speed comparisons, by urbanity



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the fixed broadband decision-maker (total, 1877) (urban, 1528) (rural, 287).

Section 4

Consumer satisfaction

4.1 Introduction

This summary provides an overview of the extent to which consumers are satisfied with their current communications service provider in terms of: overall satisfaction, satisfaction with reliability of service, satisfaction with value for money and satisfaction with the speed of the fixed broadband service. We also explore levels of satisfaction with the postal service in terms of overall satisfaction and satisfaction with value for money. Finally, we provide a summary of the proportion of consumers with a reason to complain about their provider, and among those with a reason to complain, the proportion that went on to make a complaint.

4.2 Analysis points to note:

Data included in this summary have been drawn from Ofcom's annual Switching Tracker, our Residential Post Tracker and our annual Quality of Customer Service Tracker. The data tables, and the associated slide packs which include full details of the methodology, are available on the website³⁶.

Please note the following:

- With the exception of the data that report satisfaction with value for money, the following satisfaction data among communications providers for 2012 - 2015 are based on opinions among all decision-makers within each market, and as such are not directly comparable with data collected before 2012, published in previous *Consumer Experience Reports*³⁷.
- Satisfaction data are not directly comparable to those published in Ofcom's *Communications Market Report (CMR) 2015*. This summary reports satisfaction among decision-makers, whereas the *CMR* reports satisfaction among all owners.

4.3 Key trends

- **Around nine in ten consumers in each market are 'very satisfied' or 'fairly satisfied' with their overall service.** Overall satisfaction has declined since 2014 among consumers in the fixed-line (88% from 91%) and bundle (85% from 90%) markets. Dissatisfaction with value for money is highest for bundle purchasers (18%) and lowest for stand-alone mobile purchasers (7%).
- **Three-quarters of broadband customers are satisfied with their online speeds.** Dissatisfaction was highest among the more engaged segments,

³⁶ <http://stakeholders.ofcom.org.uk/market-data-research/statistics/stats15/>

³⁷ Data were adjusted in 2012 to report total market satisfaction, and as such, data prior to 2012 are not directly comparable, so although this analysis provides a good indication of trend, we cannot be certain whether any changes indicated are real or due to the change in methodology.

stood at 29% among 'engaged' fixed broadband customers, and was higher among those in rural areas (30% vs. 15% in urban areas).

- **Just under nine in ten (89%) adults are satisfied with the postal service overall.** Those in rural locations were the most likely to say that they were satisfied with the postal service (92%). These are similar to satisfaction levels in previous years. Just over two-thirds of postal users (69%) are satisfied with the value for money provided by the postal service.
- **Broadband customers are the most likely to say they have had a reason to complain (12%),** followed by mobile (6%), and fixed-line (5%) customers. Not all of these consumers proceeded to make a complaint. In total, 8% of broadband customers said they had made a complaint (this equates to 66% of those with cause to complain) and compares to 4% among mobile customers and 3% among fixed-line customers.
- **One in ten (10%) adults had reason to complain about Royal Mail's service.** Six per cent of adults went on to complain to Royal Mail.

We now explore these key trends in more detail, within the following sub-headings:

- Satisfaction with communications services and providers
- Satisfaction with postal service and providers
- Reasons to complain

4.4 Satisfaction with communications services and providers

4.4.1 Around nine in ten consumers in all communications markets are 'very satisfied' or 'satisfied' with their overall service

The chart below shows the trend in satisfaction across each market as a whole between 2013 and 2015³⁸.

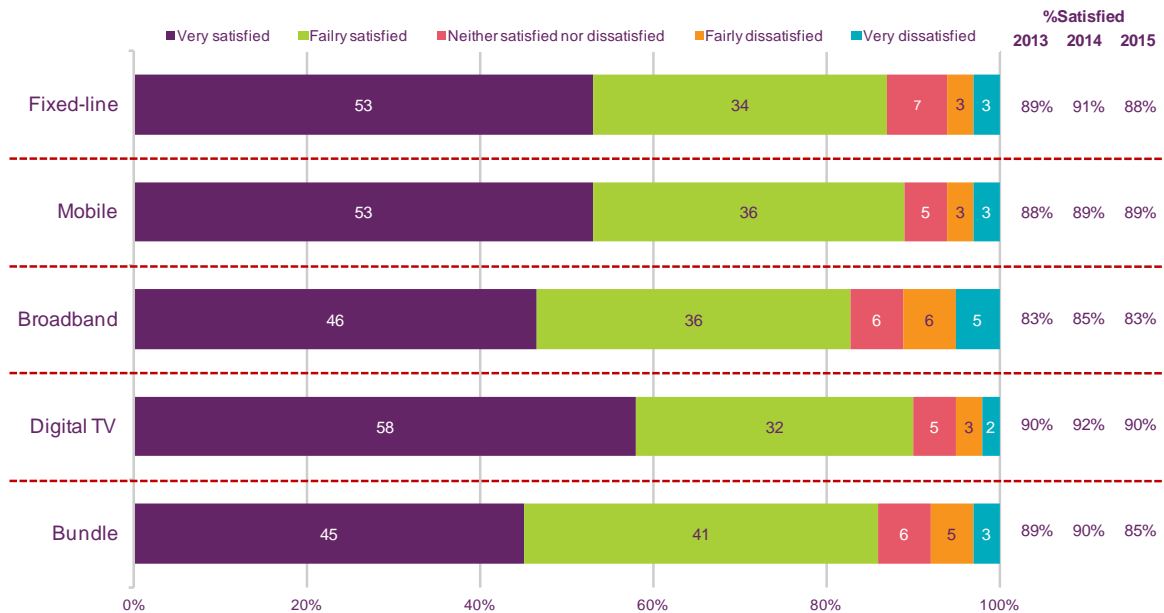
The majority of consumers in each market remain satisfied with their services overall, with dissatisfaction at between 5% and 11% across markets - highest in the fixed broadband market (11%) and the bundle market (8%). Just over one in ten (12%) fixed broadband customers said they had had cause to complain about their fixed broadband service in the past 12 months, as reported later in this section; this is higher than in each of the other communications markets (mobile 6%; landline 5%).

Levels of overall satisfaction remained consistent from 2014 to 2015 across the mobile, fixed broadband and digital TV markets. Overall satisfaction declined

³⁸ Data prior to 2012 was based on stand-alone purchasers only and as such are not directly comparable to data from 2012 and onwards

among consumers in the fixed-line (88% from 91%) and bundle (85% from 90%) markets in 2015.

Figure 44 Satisfaction with overall services from communications supplier, total market: 2013-2015



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed line (2015, 2168), mobile (2015, 2594), fixed broadband (2015, 1868), digital TV (2015, 2228), any bundlers (2015, 1295). 'Don't know' responses have been excluded from the base.

In each of the fixed broadband and mobile markets there are indications of higher dissatisfaction among customers in rural areas (12% vs. 5% of all mobile customers, and 21% vs. 10% of all fixed broadband customers).

4.4.2 Dissatisfaction with reliability of mobile and fixed broadband is highest in rural areas

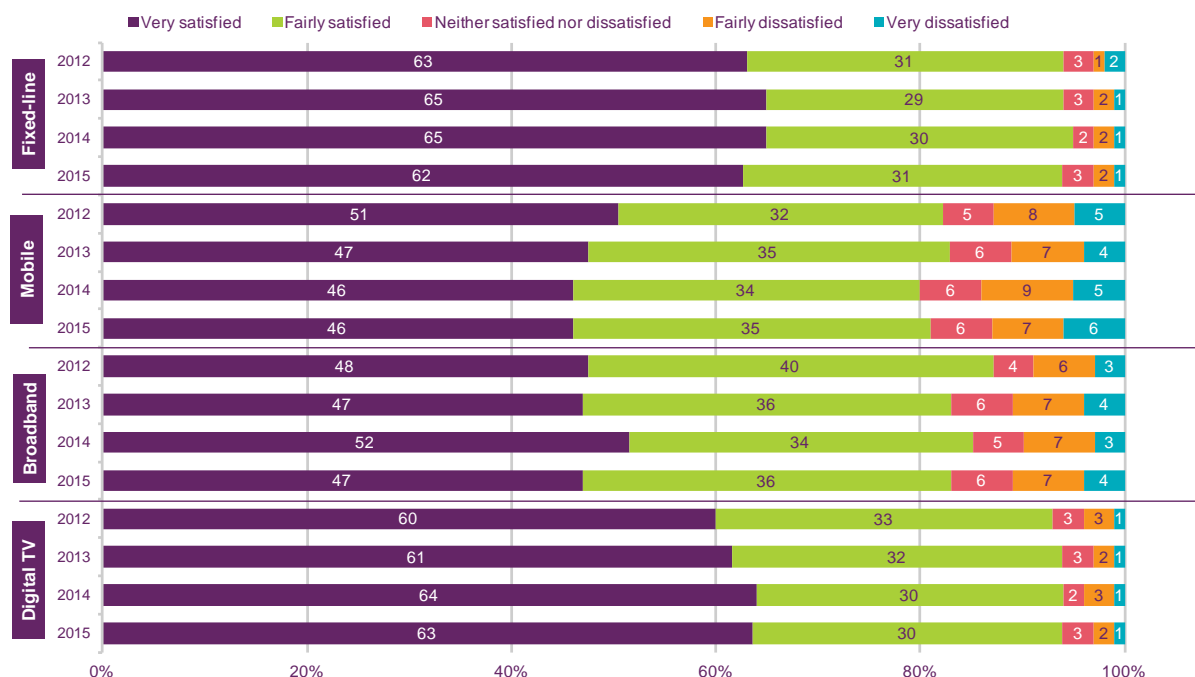
The reliability of a service should not vary according to how consumers purchase it; we would expect reliability to be independent of consumers' purchasing behaviour. So the following data are based on consumers in each market, regardless of purchasing behaviour.

Satisfaction with reliability is highest in the digital TV (93%) and fixed voice markets (93%) and has remained unchanged across both these markets since 2012, as shown in Figure 45. Dissatisfaction with reliability remains below one in 20 (both 3%) in the digital TV and fixed voice markets.

Satisfaction is lower in the fixed broadband market (83%); it has also remained unchanged since 2012, with the dissatisfaction level at around one in ten (11%) in 2015.

In the mobile market we ask about satisfaction with reception and the ease of accessing the network. This currently stands at 81% who are satisfied and 13% dissatisfied, unchanged since 2014.

Figure 45 Satisfaction with reliability of service (reception/ease of accessing mobile network) in all markets: 2012-2015

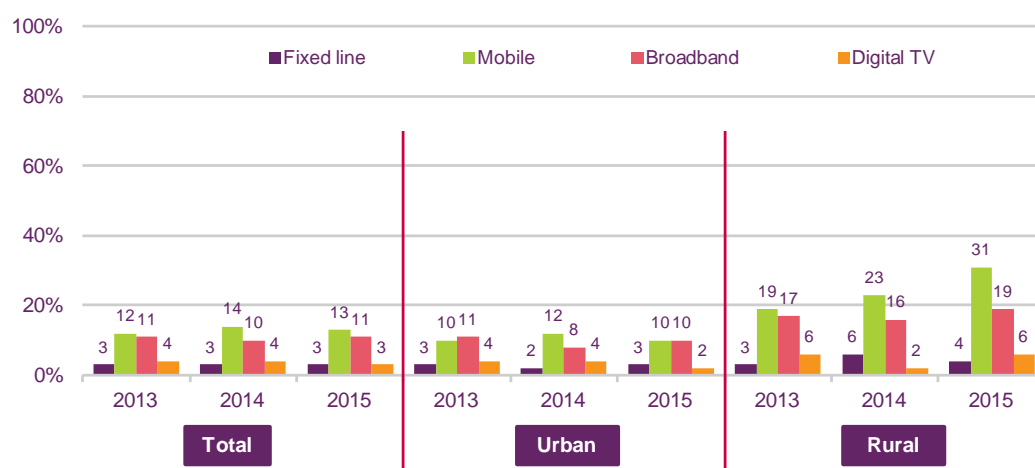


Source: Ofcom Switching Tracker, July - August 2012, 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed-line (2012, 1624) (2013,1576) (2014, 1730) (2015, 2165), mobile (2012, 1703) (2013,1703) (2014, 1670) (2015, 2587), fixed broadband (2012, 1337) (2013,1283) (2014, 1459) (2015, 1864), digital TV (2012, 1468) (2013,1583) (2014, 1716) (2015, 2238). 'Don't know' responses have been excluded from the base.

The highest levels of dissatisfaction with the reliability of service of fixed broadband and mobile appear among consumers living in rural areas, with dissatisfaction with fixed broadband at 19% and mobile at 31% – higher than the averages for these markets (11% and 13% respectively). The apparent rise in dissatisfaction among consumers in rural areas since 2014, noted in both the fixed broadband and mobile markets, is not statistically significant.

Figure 46 Dissatisfaction with reliability of service, by urbanity: 2013-2015



Source: Ofcom Switching Tracker, July - August 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed-line (2015, 2165), mobile (2015, 2587), broadband (2015, 1864), digital TV (2015, 2238). 'Don't know' responses have been excluded from the base.

4.4.3 Dissatisfaction with value for money lowest for mobile and highest for bundles

Consumers purchasing a bundle of services tend to be billed, or pay a set monthly fee, for all the services included in their package. Therefore, the following analysis has been conducted among stand-alone purchasers in each market, comparing them to those who bundle any services.

In the fixed-line market, where there has been a continued shift towards bundling, dissatisfaction among the minority who continue to purchase this as a stand-alone service (26% of adults) stands at 12%, unchanged over the last few years.

Similarly, in the fixed broadband market the majority of consumers purchase this service as part of a bundle. Dissatisfaction with value for money among those continuing to purchase fixed broadband from a single provider (18% of adults) stands at 11%, indicating no significant change over the last few years.

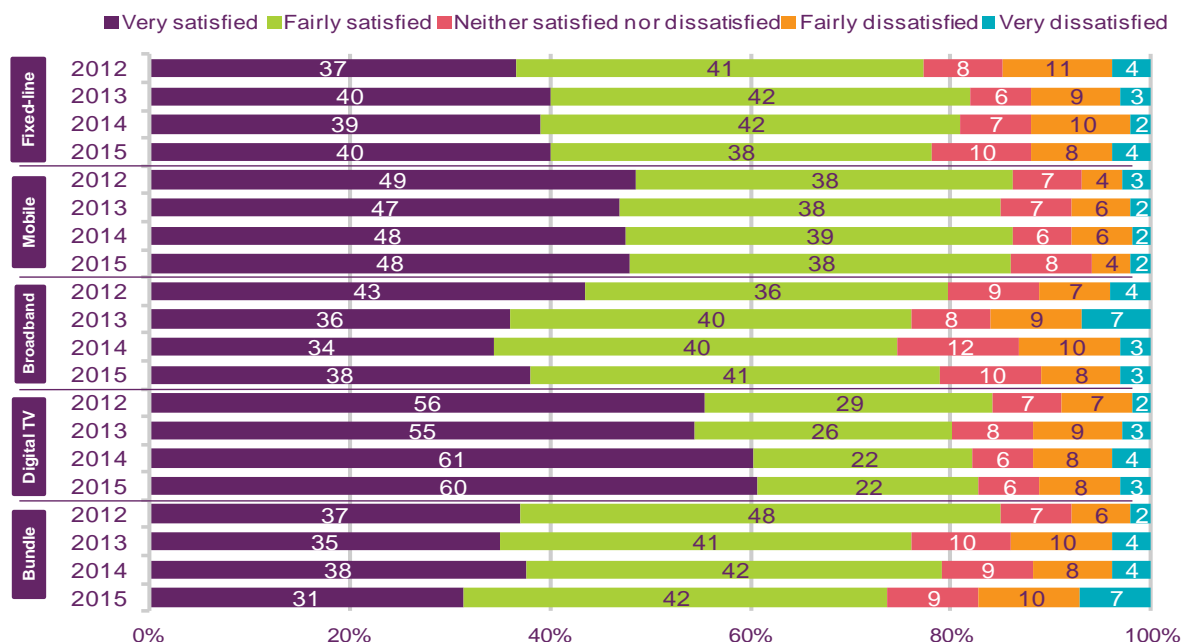
Purchasing behaviour in the mobile market remains broadly unchanged, with the majority continuing to purchase their mobile service as a stand-alone service. Satisfaction with value for money in the mobile market among stand-alone purchasers (87% of adults) remains unchanged since 2014, with dissatisfaction at 6%. Dissatisfaction with value for money does not vary between contract and pay-as-you-go mobile consumers.

Among those who have digital TV as a stand-alone service (27% of adults) satisfaction with value for money is at 82%, unchanged since 2014. Among those with a stand-alone pay TV service – so excluding Freeview customers – satisfaction with value for money is lower than for digital TV consumers, and stands at 61% in 2015, also unchanged since 2014.

Among bundlers, the majority of whom purchase at least their fixed-line and fixed broadband services from the same provider, satisfaction with value for money has decreased; from 80% in 2014 to 73% in 2015. At the same time, dissatisfaction with value for money among bundlers has increased since 2014; from 12% to 17%

in 2015. There is no difference in satisfaction or dissatisfaction with value for money between triple-play bundlers and dual-play bundlers in 2015. However, dissatisfaction with value for money among triple play bundlers has increased since last year (from 13% to 20%) but for dual-play bundlers it has not changed (15%).

Figure 47 Satisfaction with value for money: 2012-2015³⁹



Source: Ofcom Switching Tracker, July - August 2012, 2013, 2014 and 2015

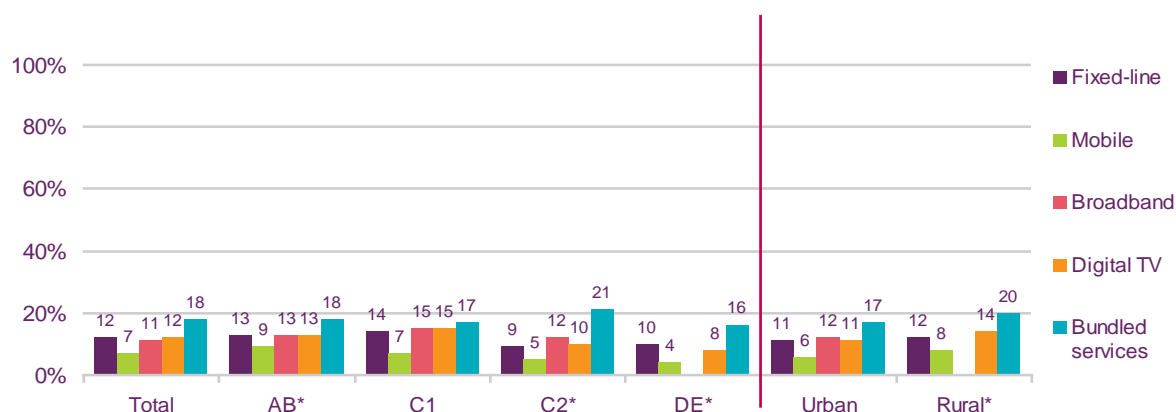
Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed-line (2015, 636), mobile (2015, 2421), broadband (2015, 301), digital TV (2015, 1374), bundle (2015, 1284). 'Don't know' responses have been excluded from the base.

The following chart compares levels of dissatisfaction with value for money, by socio-economic group and urbanity, within each service. There were very few differences across the communications services. Due to the relatively low proportion of consumers purchasing stand-alone fixed broadband services, comparable data for this service are limited.

In 2015 there were no differences between those purchasing fixed-line, mobile, fixed broadband or TV as stand-alone services, in terms of dissatisfaction with value for money by socio-economic group or by urbanity. Similarly, dissatisfaction with value for money among bundlers does not vary by socio-economic group or urbanity.

³⁹ These data are based on stand-alone purchasers in each market, compared to bundlers as a whole, as consumers who bundle their services are unlikely to be able to separate out costs for individual services

Figure 48 Dissatisfaction with value for money, by socio-economic group and urbanity



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed-line (2015, 636), mobile (2015, 2421), broadband (2015, 301), digital TV (2015, 1374), bundled services (2015, 1284). *Caution: Base too low for broadband for socio-economic group DE and rural and low base for socio-economic groups AB and C2, so treat as indicative only. 'Don't know' responses have been excluded from the base.

4.4.4 Three-quarters of broadband customers are satisfied with their online speeds

A service aspect specific to the broadband market is speed. Ofcom research⁴⁰ has found that the overall average actual download speed in the UK increased from 18.7Mbit/s to 22.8Mbit/s in the six months from May 2014 to November 2014.

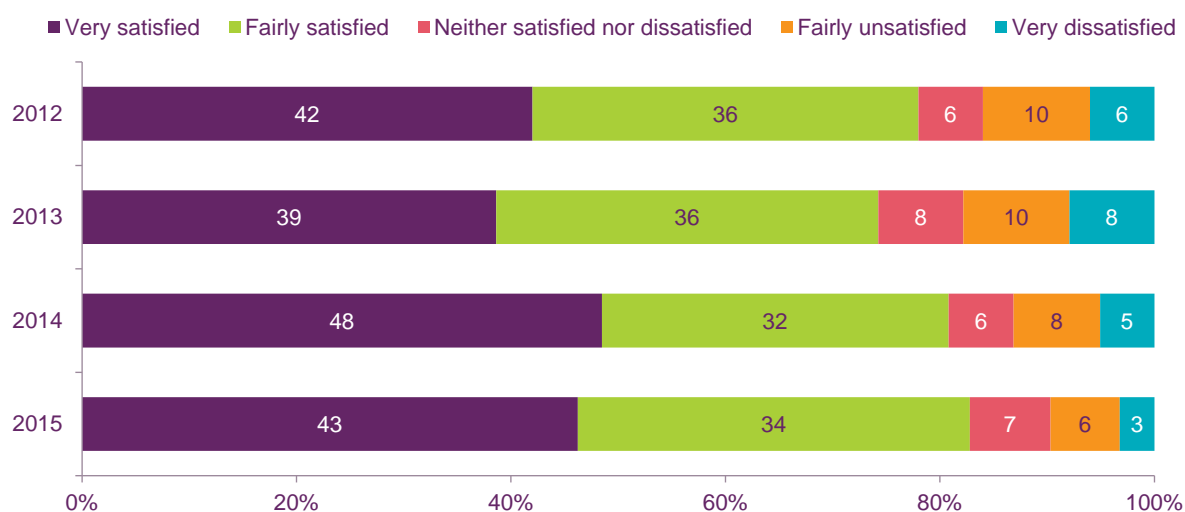
Two in five fixed broadband customers who expressed an opinion on satisfaction with the speed of their fixed broadband service (43%) said they were 'very satisfied' (Figure 49) and in total, over three-quarters were satisfied (77%). Since 2014 there has been no significant change in levels of satisfaction or dissatisfaction with speed of broadband service.

While not shown on the chart below, dissatisfaction was highest among the more engaged segments; it stood at 29% among 'engaged' fixed broadband customers and at 3% among those classified as 'passive'. This suggests that for these consumers, speed of service might be a key factor driving potential switching decisions.

Levels of dissatisfaction also vary by urbanity, with fixed broadband customers living in rural areas more than twice as likely to be dissatisfied with the speed of their service as those living in urban areas (30% vs. 13%). These levels of dissatisfaction are higher than those reported in 2014 (17% vs. 7%).

⁴⁰ http://stakeholders.ofcom.org.uk/binaries/research/broadband-research/november2014/Fixed_bb_speeds_November_2014.pdf

Figure 49 Satisfaction with speed of fixed broadband service: 2012-2015



Source: Ofcom Switching Tracker, July - August 2012-2015

Base: All adults aged 16+ who are the fixed broadband decision-maker who expressed an opinion (2012, 1318) (2013, 1254) (2014, 1449) (2015, 1851).

Note: 'Don't know' responses have been excluded from the base.

4.5 Satisfaction with postal services and providers

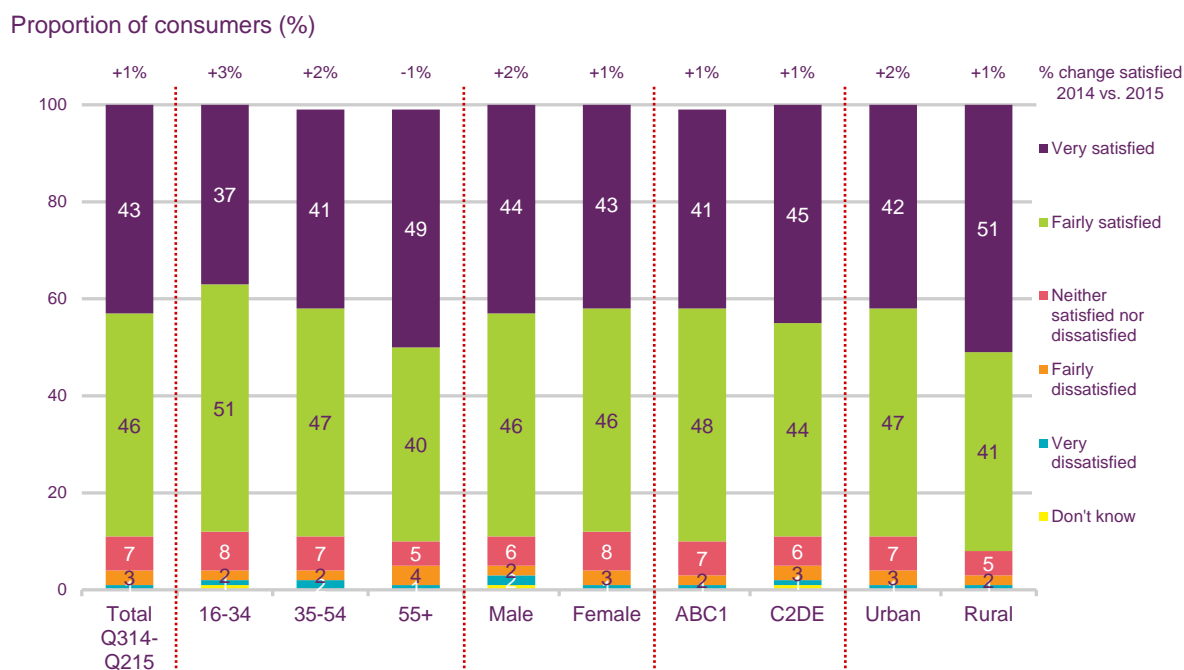
4.5.1 Around nine in ten adults are satisfied with the postal service overall

Almost nine in ten (89%) residential consumers were satisfied with the postal service as a whole (Figure 50). Those aged 55+ (49%) were more likely than the UK average to say they were very satisfied (43%).

Overall satisfaction with the postal service was higher than the UK average for those in Northern Ireland (92%), Wales (94%), and 'other rural'⁴¹ locations (92%). Postal users in Northern Ireland, Wales and other rural locations were more likely to say they were 'very satisfied' with the postal service (48%, 49% and 51% respectively) than the UK average (43%).

⁴¹ 'Other rural' is defined as a village or hamlet with a population of fewer than 2,000, or open countryside that is within ten miles from a large urban area (defined as having a population of at least 15,000).

Figure 50 Overall satisfaction with the postal service, by age, gender, socio-economic group and urbanity



Source: Ofcom post tracking survey Q3 2014-Q2 2015

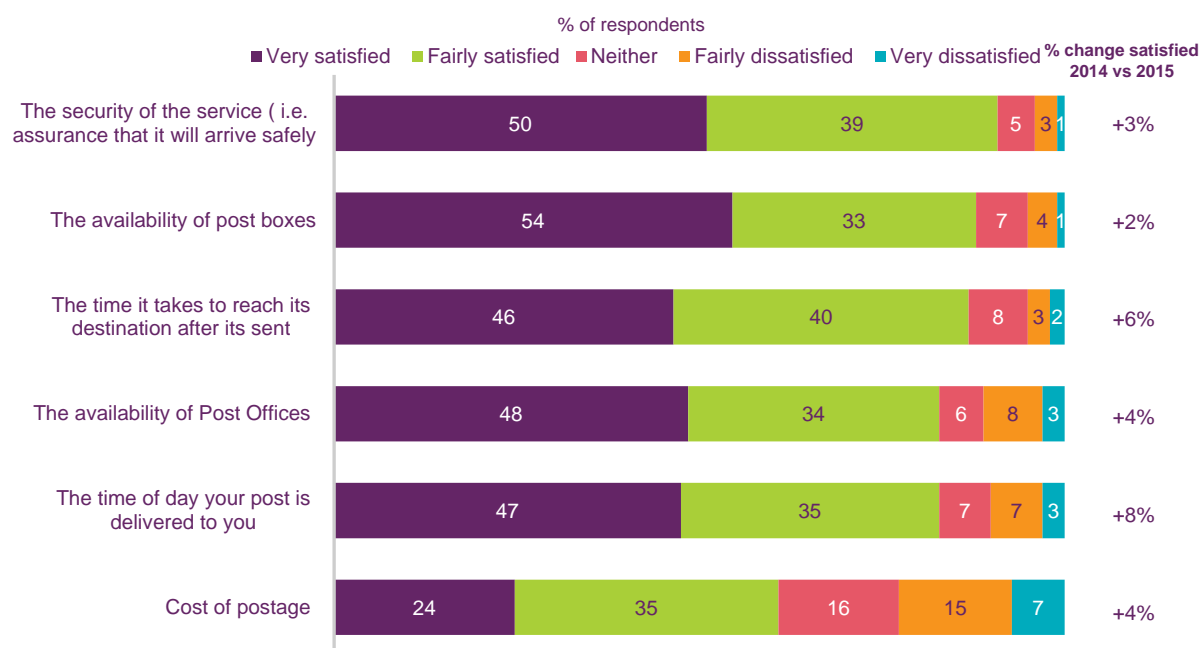
Base: All adults 16+ (3122)

QE2. Thinking about your experience of using the postal service to send and receive mail, how would you rate your overall satisfaction with the postal service?

4.5.2 More than eight in ten consumers are satisfied with most aspects of Royal Mail's postal service

Consumers were asked how satisfied they were with specific aspects of the service provided by Royal Mail (Figure 51). The aspects of Royal Mail's service receiving the highest ratings were the security of the service (89%), the availability of post boxes (87%), the time post takes to reach its destination (86%) and the availability of post offices (82%). The lowest level of satisfaction was for the cost of postage, with about six in ten (59%) claiming to be satisfied with this aspect of the service. Sixteen per cent of adults claimed to be neither satisfied nor dissatisfied, and just over one in five (22%) claimed to be very, or fairly, dissatisfied with the cost of postage.

Figure 51 Overall satisfaction with aspects of Royal Mail’s postal service



Source: Ofcom post tracking survey Q3 2014-Q2 2015

Base: All adults 16+ (3122)

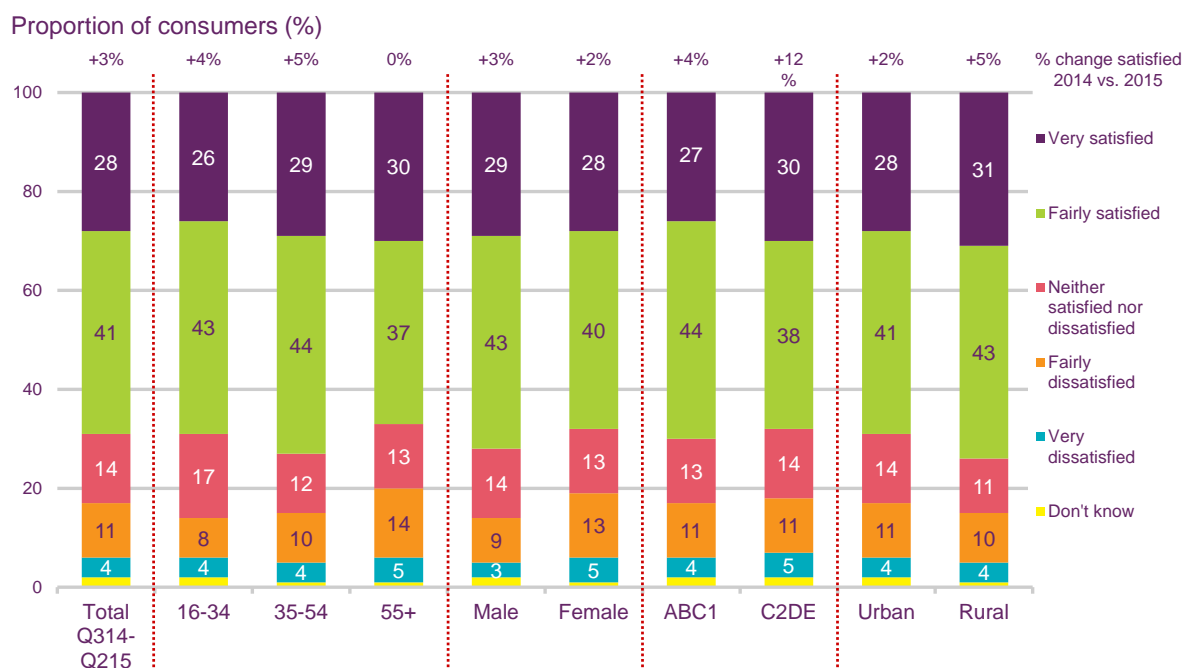
Q: E3: How would you rate the performance of Royal Mail as a recipient or sender in the following areas on a 5-point scale where 1 is very dissatisfied and 10 is very satisfied.

4.5.3 Seven in ten postal users are satisfied with the value for money provided by the postal service

Satisfaction with the value for money of the postal service is higher than satisfaction with the cost of postage. Overall, 69% of all consumers said they were satisfied with the postal service in terms of value for money, highest among those aged 35-54 (73%) and those in rural areas (74%).

Consumers in Scotland are more satisfied with the postal service in terms of value for money than consumers in other nations, with 77% satisfied, compared to 72% in Northern Ireland, 70% in Wales and 69% in England.

Figure 52 Satisfaction with the postal service: value for money, by age, gender, socio-economic group and urbanity



Source: Ofcom post tracking survey. Q3 2014-Q2 2015

Base: All adults 16+ (3122)

QE4. How satisfied are you overall with the postal service in terms of value for money of sending mail?

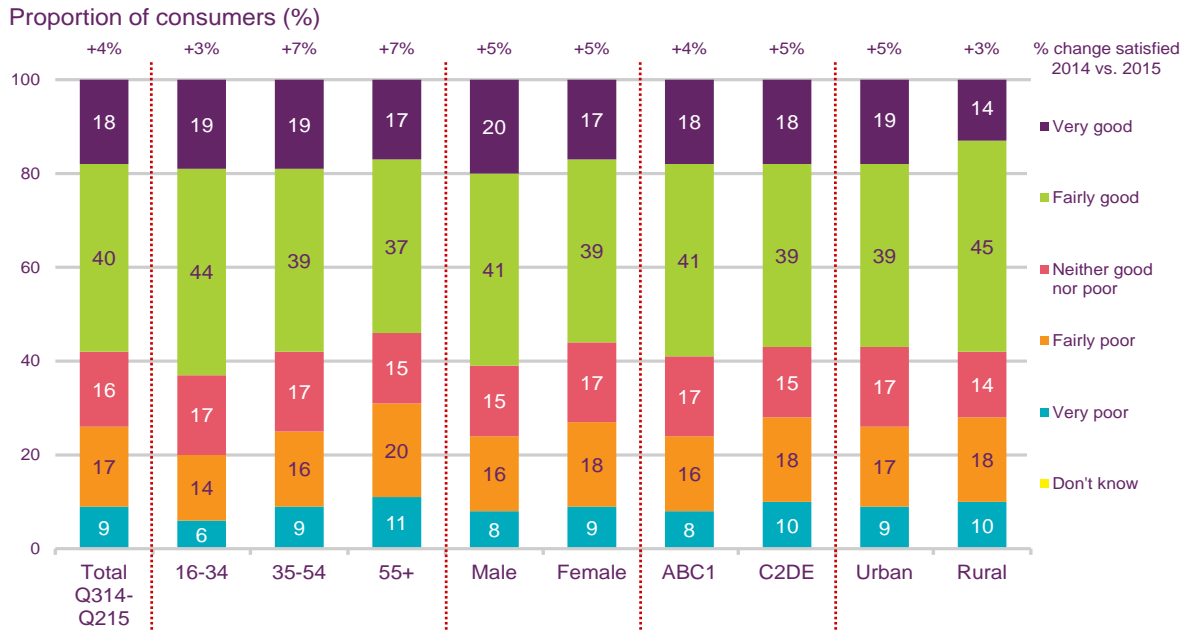
4.5.4 Half of consumers considered First Class stamps offered good value for money

As shown in Figure 53 and Figure 54 below, when asked about the value for money of First and Second Class stamps, almost six in ten (58%) considered that First Class stamps offered good value for money, while around half (49%) considered Second Class stamps good value.

The perceived value for money, for both First and Second Class stamps, was up since 2014; between 2014 and 2015 the proportion of consumers considering First Class stamps as good value for money rose by four percentage points and by three percentage points for Second Class stamps.

The perceived value for money for both First and Second class stamps declines with age. Perception of good value for money for First Class stamps, among those aged 16-34, was higher than among those aged 55+ (63% vs. 54%). The same applies for perception of value for money for Second Class stamps; 53% of respondents aged 16-34 rated them as good value for money, compared to 49% of over-55s.

Figure 53 Value for money of First Class stamps, by age, gender, socio-economic group and urbanity



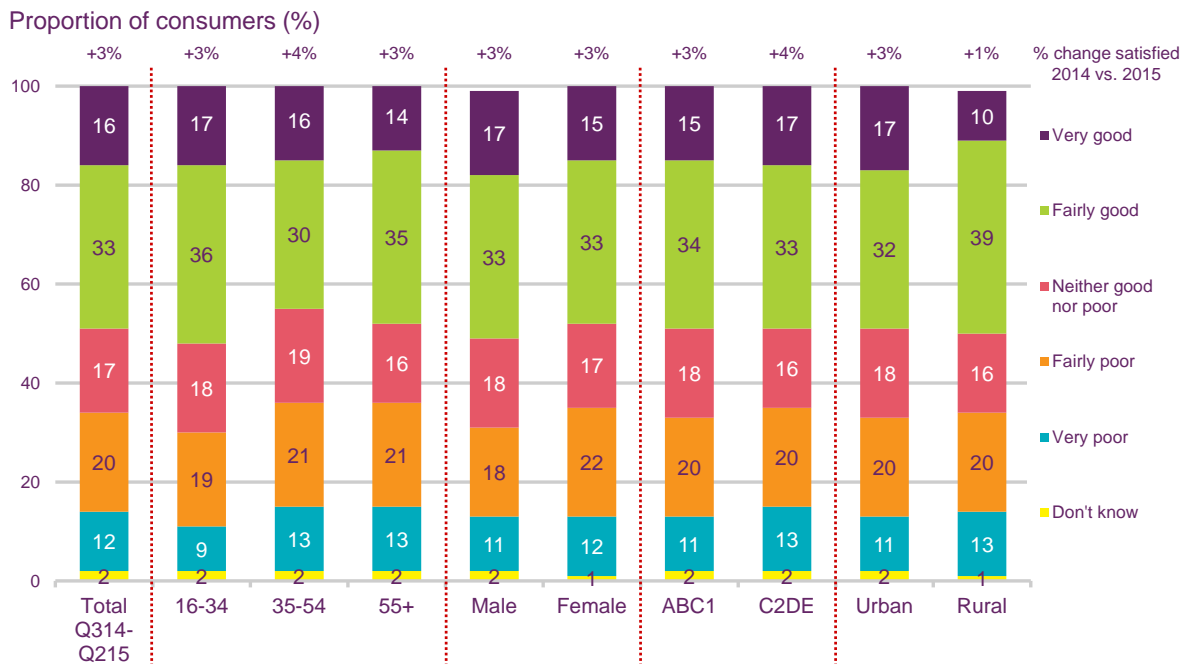
Source: Ofcom residential post tracking survey. Q3 2014-Q2 2015

Base: All adults 16+ (3122)

QF3: It currently costs 62/63p to send a standard letter First Class within the UK, how would you rate Royal Mail's First Class service in terms of value for money?

*Note: Price of First Class stamp increased on 31 March 2015 to 63p

Figure 54 Value for money of Second Class stamps, by age, gender, socio-economic group and urbanity



Source: Ofcom residential post tracking survey. Q3 2014-Q2 2015

Base: All adults 16+ (3122)

QF4: It currently costs 52/53p to send a standard letter Second Class within the UK, how

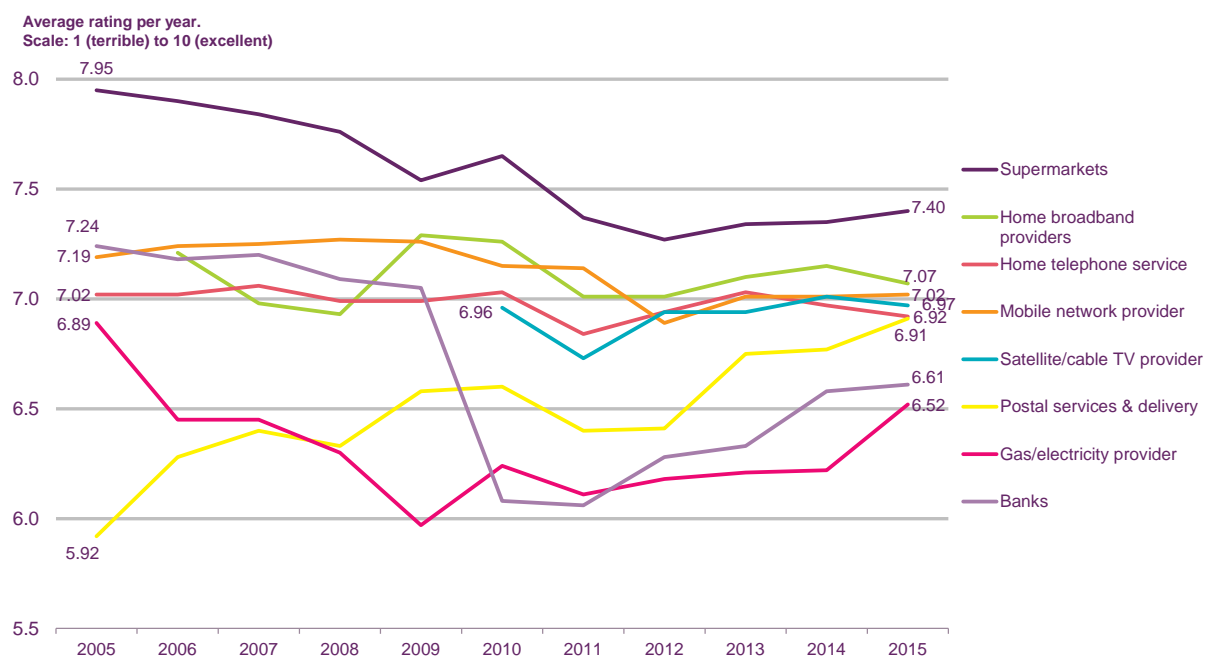
would you rate Royal Mail's Second Class service in terms of value for money?
 *Note: Price of Second class stamp increased on 31 March 2015 to 54p

4.6 Value for money across sectors

Since 2005 we have tracked consumer ratings of value for money in eight sectors⁴². For many sectors, value for money ratings have fallen over this time; most markedly banks, gas and electricity providers, and supermarkets. Postal services and delivery is the only sector to see an increase in customers' perception of value for money; from 5.92 in 2005 to 6.91 in 2015.

Customers attitudes towards the value of money of home broadband, home telephone services, mobile network providers and satellite/cable TV providers have remained relatively stable between 2005 and 2015.

Figure 55 Customers' attitudes towards value for money across sectors: 2005-2015



Source: *Customers in Britain 2015*, Firebrand Insight

Base: All adults (2015, 1,007)

Q6a: Please give a rating for the value for money you receive from your main provider in each category, over the last 12 months.

4.7 Reasons to complain to provider

4.7.1 Broadband customers are the most likely to say they have had reason to complain to their provider

The analysis below shows the proportion of customers using each service who said they had had reason to complain about the provider of their broadband, fixed line and/or mobile in the 12 months before the interview⁴³ (data tables can be

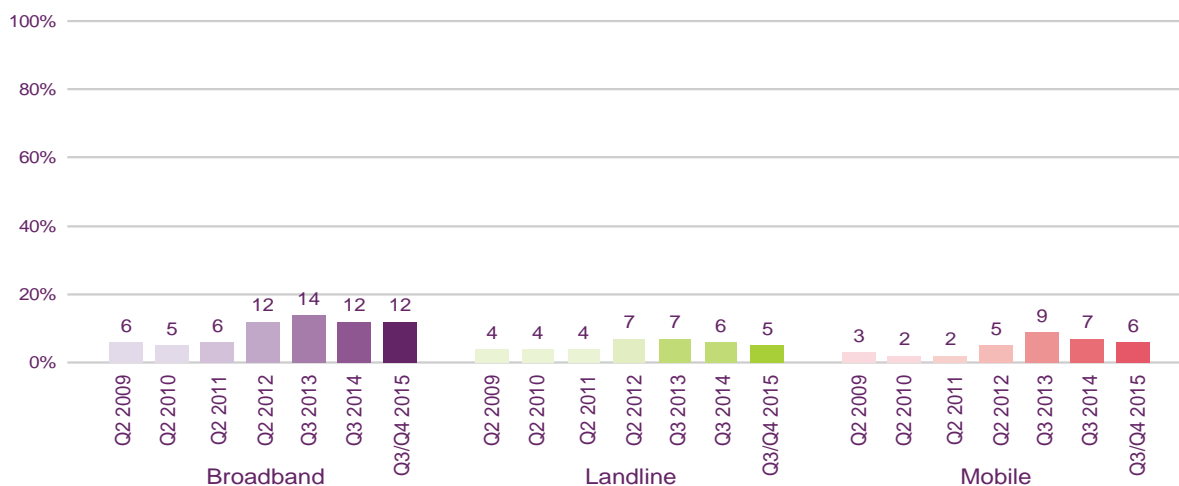
⁴² <http://www.firebrandinsight.co.uk/sector-experience/our-life-in-britain-series>

⁴³ Fieldwork was conducted in August, September and November 2015, therefore complaints date back to August 2014

found on the Ofcom website⁴⁴). However, not all consumers go on to make a complaint, and further details on the proportions actually making a complaint are set out below.

Figure 56 illustrates that across the services, the level of complaints has remained stable; broadband customers are the most likely to say they have had reason to complain to their provider (12%), followed by mobile (6%), and fixed-line customers (5%).

Figure 56 Reason to complain about service or supplier in the past 12 months: 2009-2015



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households using each type of provider (In 2015 – 3261 broadband, 3445 landline, 3729 mobile phone)

Q9. Have you personally had a reason to complain about any of these services or suppliers in the last 12 months, whether or not you went on to make a complaint? (prompted responses, multi-coded)

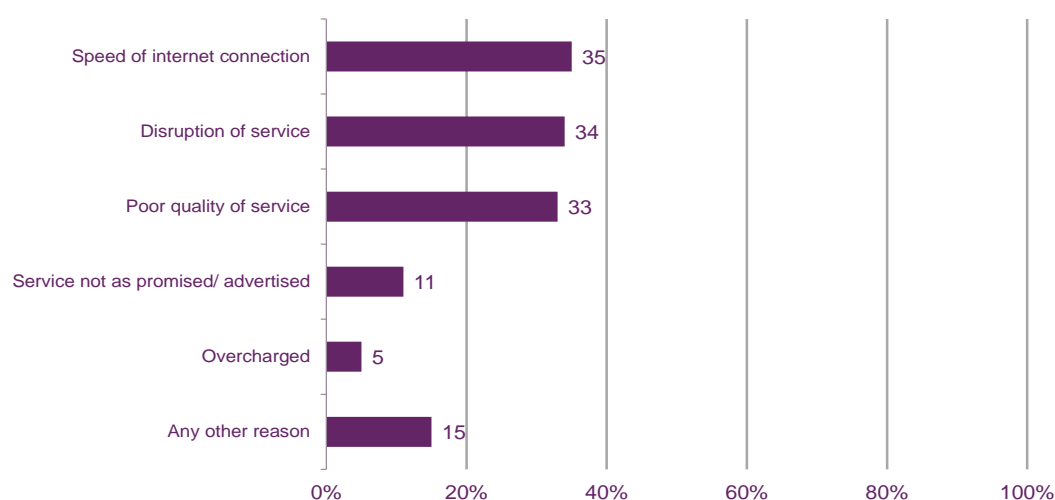
4.7.2 Broadband customers are the most likely to cite speed of internet connection as a reason to complain

Among broadband customers with reason to complain (Figure 57), the three reasons that were stated most frequently by participants were: speed of internet connection (35%), disruption of service (34%) and poor quality of service (33%). While not shown on the chart below, speed of internet connection has increased by seven percentage points since 2014, with disruption of service decreasing by five percentage points.

Just over one in ten (11%) said they felt the service was not as advertised/promised, and 5% said that they had been overcharged. In total 15% gave various other reasons, each of these mentioned by less than 3% of consumers. In the broadband market these included incorrect billing, unfair contract terms, charges not made clear/ unexpected charges, and staff attitude/ problem with staff.

⁴⁴http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015dec/Ofcom_Quality_of_Customer_Service_2015_-_STAGE_1_-_Omnibus_stage_data_tables_FINAL.pdf

Figure 57 Main reason to complain about broadband service or supplier



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households with reason to complain about each service in the last 12 months (357 fixed broadband) Chart shows reasons given in 2015 by at least 5% of those with reason to complain.

Q16. What was the issue you had reason to complain about in connection with your fixed broadband? (spontaneous responses, multi coded)

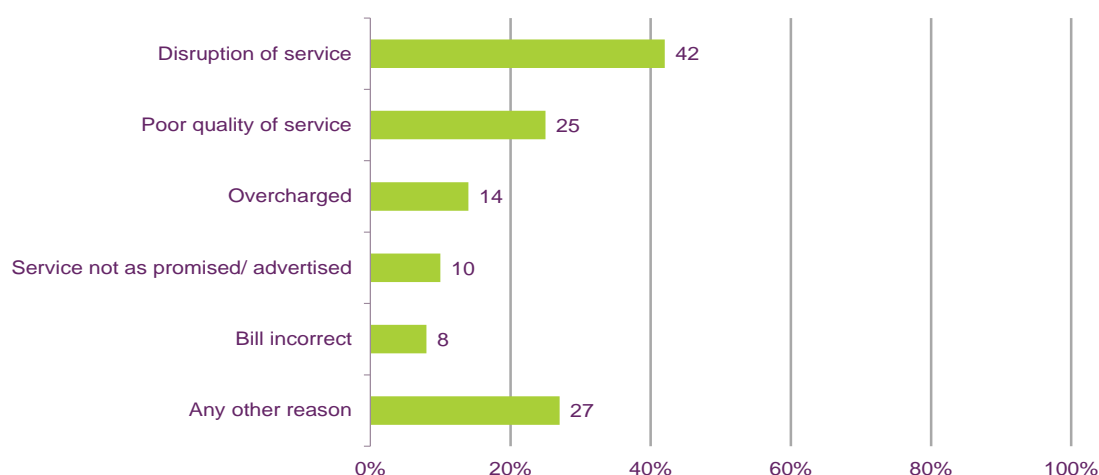
Note: 'any other reason' includes reasons given by fewer than 5% of those with reason to complain

4.7.3 Fixed-line customers are most likely to cite disruption of service as a reason to complain

Among fixed-line customers with reason to complain (Figure 58), the two reasons that were most likely to be mentioned were disruption of service (42%) and poor quality of service (25%). These were also the two most likely reasons in 2014. Fourteen per cent said they had been overcharged, and 10% said they felt that the service was not as promised/ advertised. Just under one in ten (8%) said they had had cause to complain about an incorrect bill; an 11 percentage points decrease since 2014.

Various other reasons accounted for the remaining 27%, and each was mentioned by less than 5% of consumers. In the fixed-line market these included unfair terms of contract, staff attitude/ problem with staff, charges not made clear/ unexpected charges, inappropriate content and bill not received.

Figure 58 Main reason to complain about fixed-line service or supplier



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households with reason to complain about each service in the last 12 months (160 landline). Chart shows reasons given in 2015 by at least 5% of those with reason to complain.

Q10. What was the issue you had reason to complain about in connection with your landline? (spontaneous responses, multi-coded)

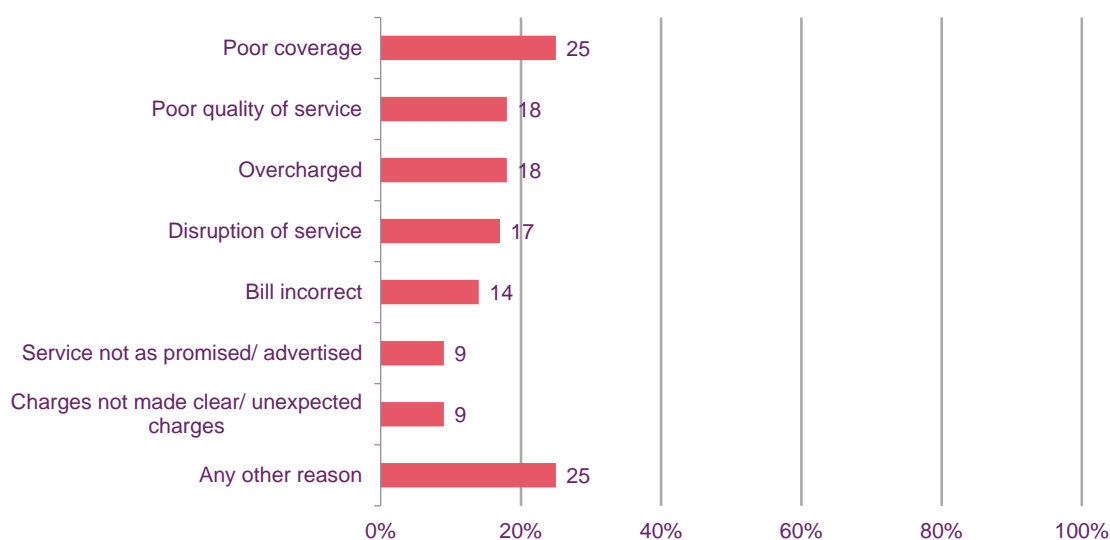
Note: 'any other reason' includes reasons given by fewer than 5% of those with reason to complain

4.7.4 Mobile customers are most likely to cite poor coverage as a reason to complain

Among mobile customers with reason to complain (Figure 59), poor coverage (25%) is the most likely reason given, with lower proportions of customers citing poor quality of service (18%) and disruption of service (17%). Eighteen per cent gave 'being overcharged' as a reason; a nine percentage point increase on 2014. Other reasons in 2015 included incorrect bill (14%), service not as promised/ advertised (9%) and unclear or unexpected charges (9%).

Various other reasons accounted for 25%, and each were mentioned by less than 5% of consumers. In the mobile market these included: speed of internet connection, staff attitude/ problem with staff, unfair terms of contract, inappropriate content and bill not received.

Figure 59 Main reason to complain about mobile service or supplier



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households with reason to complain about each service in the last 12 months (217 Mobile phone) Chart shows reasons given in 2015 by at least 5% of those with reason to complain.

Q13. What was the issue you had reason to complain about in connection with your mobile phone service? (prompted responses, multi-coded)

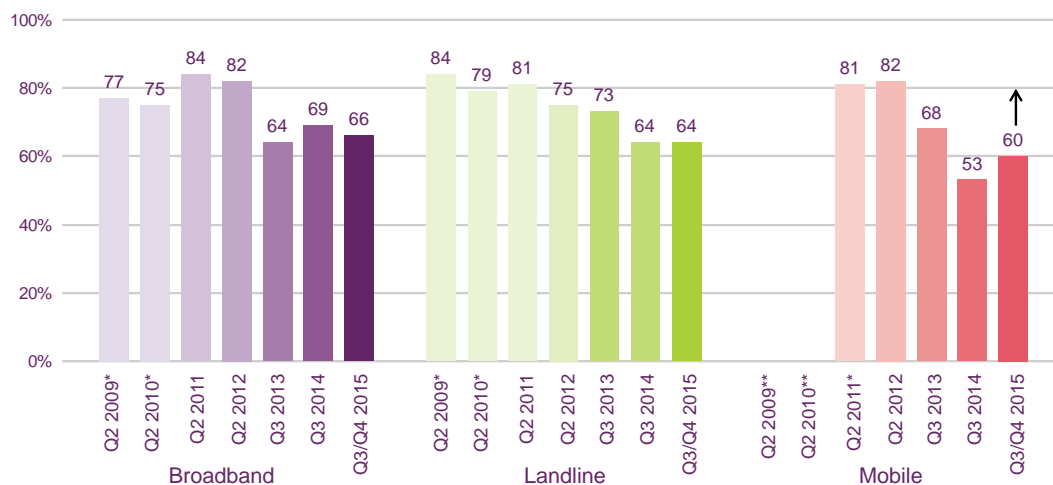
Note: 'any other reason' includes reasons given by fewer than 5% of those with reason to complain

4.7.5 Broadband customers with a reason to complain were the most likely to proceed with a complaint

Consumers with a complaint may choose to contact their provider, Ofcom or other advisory bodies such as Citizens Advice. Most customers with reason to complain said they did make a complaint. Broadband customers were the most likely to have reason to complain (12%), and 66% of these went on to make a complaint. Fixed-line and mobile customers were less likely to have reason to complain (5% and 6% respectively), and of those with reason to complain, 64% of landline customers and 60% of mobile customers went on to make a complaint.

As shown in Figure 56, the proportion of consumers in each market with cause to complain has remained broadly unchanged. However, the proportion of these consumers who proceed to make a complaint increased in 2015 to 60% in the mobile market, from 53% in 2014 (Figure 60). In the broadband market (66% in 2015 vs. 69% in 2014) and the landline market (64% in both years) figures remained comparable to 2014.

Figure 60 Whether consumers with reason to complain went on to make a complaint in the past 12 months: 2009-2015



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households with reason to complain about each service in the last 12 months (In 2015 - 357 Broadband, 160 Landline, 217 Mobile phone) * Caution: Base below 100 so treat as indicative only, ** Base below 50, not reported.

Q11/Q14/Q17. And did you go ahead and make a complaint about your broadband/landline/ mobile phone service or supplier? (prompted responses, single coded)

↑ ↓ indicates significant increase/ decrease compared to 2014 at the 99% confidence level

There is no correlation between the likelihood of making a complaint and the type of issue a consumer has with their provider, in each of the broadband, fixed-line and mobile markets.

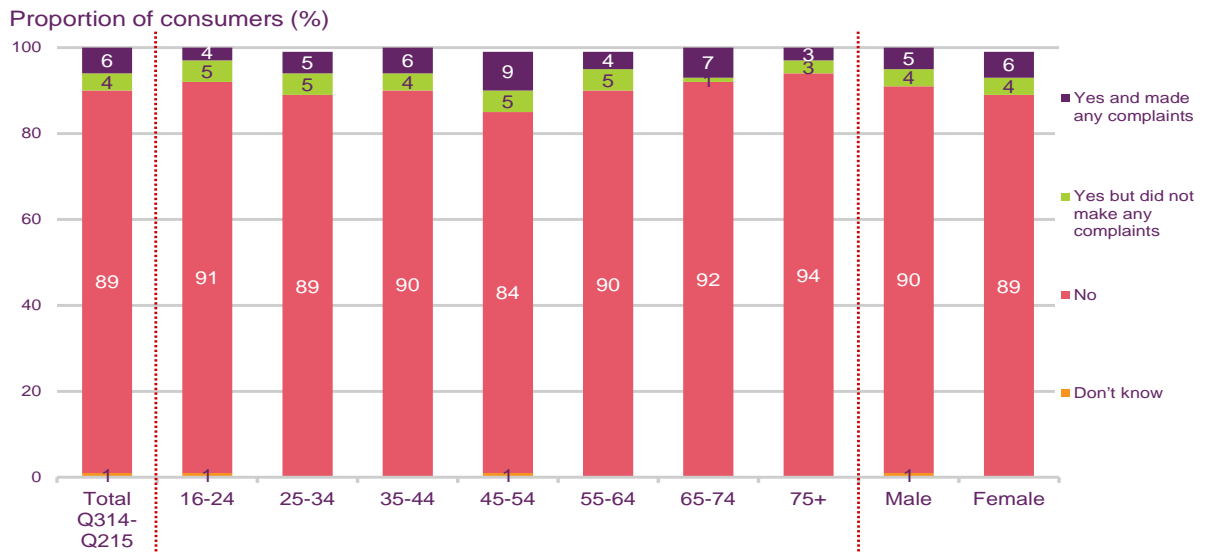
4.7.6 One in ten adults has had reason to complain about Royal Mail's service and 6% of adults have made a complaint to Royal Mail

Consumers were asked if they had had a reason to complain to Royal Mail about its services in the past 12 months and if they had, whether they had actually made a complaint.

One in ten (10%) adults reported that they had had a reason to complain about Royal Mail's service; comparable to last year. This was highest among those aged 45-54 (15%), while those over 75 (6%) reported the lowest levels of reasons to complain.

Six per cent of adults (60% of those with cause to complain) went on to make a complaint to Royal Mail. Those aged 45-54 (9%) had the highest incidence of making such a complaint, while over-75s had the lowest incidence (3%).

Figure 61 Cause to complain about Royal Mail’s postal services, by age and gender



Source: Ofcom post tracker survey, Q3 2014 – Q2 2015

Base: All respondents 3122

QG2 In the last 12 months, have you have you had a cause to complain to Royal Mail about its services?