

**BT email of 4 February 2014 to Ofcom, sent at 10:33 and entitled
"RE: Subject - Sweeney Pinedo's Fixed and Mobile Research report (August 2013)"**

From: Liam Nicholson;
Sent: 04 February 2014 10:33
To: Paul Jacobus; Kathryn Elliott;
Subject: RE: Subject - Sweeney Pinedo's Fixed and Mobile Research report (August 2013)

Dear Paul,

Further to your email of 17 January 2014, we set out our answers to the specific questions you raised about this research below. Before turning to these, we would like to stress that the research was carried out independently of Openreach and by a leading third party research company using widely recognised and accepted research techniques*. We commissioned this work because there was no evidence quoted in Ofcom's consultation regarding likely trends in fixed and mobile substitution, simply a statement that - based on recent trends - the stable level of mobile only homes (at 15% of all households) would persist.

Given that all four mobile operators either had launched or were about to launch a major upgrade to their networks, on which they have spent many billions of pounds, it is clearly relevant to ask whether Ofcom's assumption takes account of known developments in the market over the forecast period. We do not dispute that 4G is unlikely to be a "mass market substitute" over the period to 2016/17 and accept that substitution is unlikely for users with average or more than average fixed usage levels. However, we point out that there could still be a significant minority of our customers who would assess that 4G alone, with speeds comparable to fixed broadband and unlimited voice minutes, would meet their communications needs.

Because economies of scale matter in the provision of fixed services, substituted customer lines deprive Openreach of far more revenue than saved costs. It is therefore important to have evidence on fixed to mobile substitution, which is seen throughout Europe and in North America, if the charge control is to offer Openreach a fair opportunity to recover its efficiency incurred costs. We believe that the Sweeney-Pinedo research informs this important issue, alongside the learning from other international markets and the analysis of other leading consultancies (e.g. Plum) that we highlighted in Annex A to our consultation response of 30 September 2013.

*Note for example that *"The GMR report shows how online has continued to secure its place in the researcher's toolbox, and now accounts for 22% of total market research investment"* - <http://rwconnect.esomar.org/a-world-of-difference-esomar-global-market-research-2012/>

Question Responses

- 1) Please confirm whether the data presented in this report refers to household and/or individual take up of services?

The data presented in the report is based on a survey of individuals (GB adults 18+) regarding their take-up of services under different scenarios.

- 2) We understand that the research contained in the Report is based on a mixture of online and phone interviews. In order to assist us in evaluating the Report, please confirm:

- i. whether any of the research contained in the Report is based on the results of face-to-face surveys. If such face-to-face surveys were used, please explain (by reference to specific information contained in the Report) which information is based on these surveys; and

No face-to-face surveys were undertaken as part of this research. The research methodology included an online survey and telephone survey.

- ii. which steps, if any, were taken by Sweeney Pinedo to ensure that the samples used (including samples taken as a result of online, phone or any other form of survey) reflect the population of the United Kingdom (including those individuals that do not have access to the internet or phones).

As indicated above, the report was based on a survey of GB, not UK, individuals. Sweeney Pinedo took the following steps to ensure that the samples used reflect the GB population

- **The online sample was controlled in field to represent the online audience by Region, Gender, Socio Economic Group and Age**
- **The phone interviews were conducted to boost coverage of the audiences that would be under-represented / excluded in online panels (offline at home/no broadband and mobile only households)**
- **The phone interviews were generated from samples profiled as offline (i.e. no broadband connection at home) or mobile only by databubble.info**
- **Two matrix rim weighting was applied based on Ofcom Technology Tracker Q1 2013 data to ensure the sample is suitably representative of its target population:**
 1. **Online / offline universe was weighted to reflect the figures sourced from Ofcom's Technology Tracker. The same question as the Ofcom Technology Tracker was used to define these groups: QE7 (QE2). Do you or does anyone in your household have access to the internet/ Worldwide Web at HOME (via any device, e.g. PC, laptop, mobile phone etc.)?**
 2. **Then the mobile only sample was rebalanced by weighting those with/without a landline to reflect the figures sourced from Ofcom's Technology Tracker. The same question as the Ofcom Technology Tracker was used to define these groups: QC1. Is there a landline phone in your home that can be used to make and receive calls?**
- **We intentionally did not sample those individuals that do not have access to both a phone and broadband connection at home (mobile or fixed). According to**

Ofcom's own research they represent c.1% of households. The only way that this population could feasibly be sampled would be via a face-to-face survey, which would require a disproportionate amount of additional time and effort compared with the materiality and meaningfulness of their input on the question of preferences regarding current and potential future ownership of phone and broadband (mobile and fixed).

- 3) We understand that the research contained in the Report is based on five different scenarios, each of which is referred to in Questions 49 to 53 (and contained on slide 20 of the Report). Please confirm whether Openreach (or Sweeney Pinedo on Openreach's behalf) tried to assess the likelihood of each of these scenarios. If such assessment was carried out, please set out and explain the results of this exercise.
No formal assessment of the likelihood of these scenarios has been carried out by Openreach or Sweeney Pinedo.
- 4) We are unable to understand how, if at all, the information presented on slide 26 of the Report is derived from the information presented in the remainder of the Report.
The figures under the column entitled "Net additions to mobile only" are calculated by multiplying the figures in the two other columns (adoption and substitution) and then finally by an increment of 0.75 to reflect those respondents with fixed broadband. See the explanations below for how each of the two other columns are derived.
- i. Please explain how the figures contained in the column on slide 26 entitled "Those who could adopt under this scenario" were calculated. In particular, please confirm whether such figures were derived from the information contained in slide 20.
On slide 26, the figures under the column entitled "Those who could adopt under this scenario" are calculated based on those respondents that answered "Very likely" or "Fairly likely" to the scenario questions 49-53 listed in the far left hand column. The following example illustrates how these figures are derived from the information contained on slide 20: the 10% listed under "those who could adopt" for Q50 on slide 26 is made up of the sum of the 7% of respondents answered "fairly likely" and 3% "very likely" in response to this same question on slide 20.
- ii. Please explain how the figures contained in the column on slide 26 entitled "Those who could substitute under this scenario" were calculated. In particular, please confirm which responses to which research questions were used in order to calculate these figures and confirm which, if any, slides in the Report explain the analysis used in order to obtain these figures.
All those individuals with fixed broadband who indicated in response to questions 49-53 that they were either "very likely" or "fairly likely" to buy a mobile broadband service were asked a follow-up question: Q54A - "You indicated that you might consider buying a mobile broadband service. If the mobile broadband service met your needs, would you get rid of your home broadband or pay for both services?". The figure in the column on slide 26 entitled "those who could substitute under this scenario" represents the percentage of those who responded "definitely

get rid of home broadband” or “fairly likely to get rid of home broadband” to this follow-up question. For example in respect of the scenario in Q50 on slide 26, of the 10% that answered “very likely” or “fairly likely” to the question (Q50), 44% answered “definitely get rid of home broadband” or “fairly likely to get rid of home broadband” to the follow-up question (Q54A).

- 5) We understand that the research contained in the Report purports to measure the willingness and likelihood of consumers switching to mobile-only communications for voice services and internet access. Please confirm whether Sweeney Pinedo also sought to measure the likelihood of households that currently use only mobile communications installing a fixed line. If so, please provide the results of such research.

Yes – question 29 of the survey asked “In the next year or so how likely are you to get a landline at home?”. Those who are mobile-only (257) responded as follows:

Very likely	8%
Fairly likely	9%
Neither likely / nor unlikely	17%
Not very likely	11%
Not at all likely	46%
Not sure/not stated	9%

- 6) In slide 2 of the Report, Sweeney Pinedo notes that “*some* [of those respondents who said they are considering cancelling their fixed voice line] *do not make the linkage between the need to have a landline in order to continue their fixed broadband service*”. Please explain how, if at all, this finding was taken into account when calculating the final results contained on slide 26 of the Report.

- **This note specifically refers to an inconsistency in the responses to Q38 (How likely are you to get rid of your landline in the next year or so?) and Q39 (How likely are you to get rid of your home broadband/internet in the next year or so?). This can be observed in slides 15 and 16: the notes on the right hand side of slide 15 indicate that 89% of the 221 who may cancel their landline had fixed internet (i.e. 197); this implies that c. 197 respondents should answer that they are likely to get rid of their fixed internet connection but only 112 responded in this way to Q39.**
- **This inconsistency was noted on slide 2 to appropriately position the findings displayed within the report. Openreach and Sweeney Pinedo are confident that this inconsistency does not affect the figures on slide 26 as: (i) the scenarios on slide 26 are independent of the questions underlying slides 15 and 16; and (ii) the column “those who could substitute under this scenario” on slide 26 is based on direct answers from the respondents as to whether they would get rid of their “home broadband” rather than “landline” as in Q38, the latter of which may have contributed to the inconsistency between slides 15 and 16.**

- 7) Please confirm how, if at all, Sweeney Pinedo ensured (when conducting its research for the purposes of the Report) that respondents understood whether a fixed line is present in their household or not. For example, we note the following inconsistency:

- Slide 9 of the Report shows that 48% of respondents who are students said they do not have ownership of fixed voice; whereas
- Slide 11 of the Report shows that only 28% of the same group of respondents (students) said they do not own a fixed broadband connection.

This inconsistency was noted by Sweeney Pinedo and investigated at the end of the field research and prior to presentation of the findings. The same question as that within Ofcom’s Technology Tracker was used to define fixed line ownership “QC1. Is there a landline phone in your home that can be used to make and receive calls?” For fixed broadband ownership the following question was used; Q12. Do you have internet at home that is not through a dongle or mobile?

Where inconsistencies between landline and fixed broadband ownership were identified Sweeney Pinedo contacted those respondents to clarify their answers to those two questions. The respondents’ answers fell into three categories:

- (a) Some had a Virgin Media Broadband only connection**
- (b) Some had access to a Fixed Broadband connection in shared accommodation (predominantly students) but did not consider this to be a landline in their home when asked the QC1 equivalent question**
- (c) Others simply mis-interpreted the question (did not take into account “can” in the wording) and when they were re-contacted said they did have a landline but never used it for calls and had interpreted that the question was about usage rather than access**

Specifically the sample of students itself is small (88 – 3% of the total sample) and therefore this inconsistency which impacts only a proportion of this 3% base will have a very minimal impact on the overall results.

8) Please confirm what proportion of the households sampled, for the purposes of the Report, own:

N.B. As per our response to question 1, the following sample volumes are based on a sample of individuals.

- i. a fixed line connection only (for voice and/or broadband services); **99 fixed voice only respondents (4% of total sample)**
- ii. both fixed line and mobile connection(s); **2,201 fixed line and mobile connection respondents (86% of total sample)**
- iii. only mobile connection(s); or **257 mobile only (10% of total sample)**
- iv. neither a fixed line nor a mobile connection. **0, this universe was not covered by this research due to screening criteria and methodology (no face-to-face surveys). Please see our response to question 2) ii.**

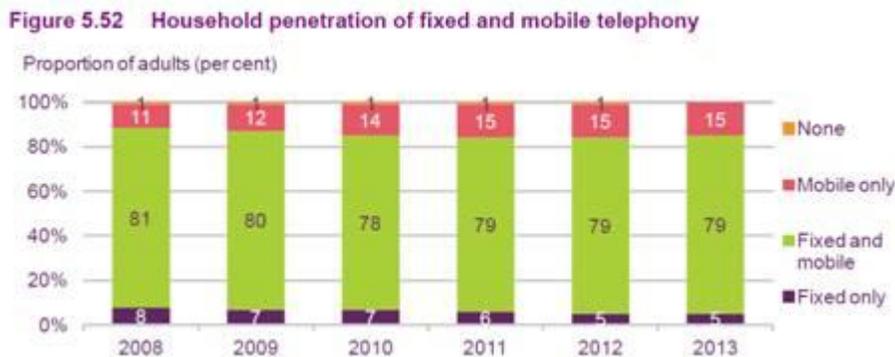
In addition, please explain how, if at all, the distribution of households across the four categories set out at (a) – (d) above is comparable to the distribution presented in Figure 5.52 of Ofcom’s 2013 Communications Market Report.^[1]

We assume that the reference to “(a)-(d) above”, is to categories 8(i)-(iv). The sample volumes detailed for 8(i) – (iv) above were weighted based on based on Ofcom

Technology Tracker Q1 2013 data. Please see our response to question 2) ii. for explanation of how the weighting was applied . The table below illustrates the difference between the unweighted and the weighted volumes

	Unweighted Data	Weighted Data
Fixed line connection only	4% (99)	7% (187)
Both fixed line and mobile connection	86% (2,201)	78% (1,956)
Only mobile connection	10% (257)	15% (375)
Total	2,557	2,518

As can be seen from the below copy of Figure 5.52 (Household penetration of fixed and mobile telephony), the weighted data is comparable.



Source: Ofcom research, data as at Q1 of each year

Base: All adults aged 16+

- 9) We understand that, for the purposes of those questions which seek to measure the likelihood of consumers doing or omitting to do something (such as the questions presented in slides 19 and 20 of the Report), Sweeney Pinedo chose to count as positive those respondents who responded “very likely” and/or “fairly likely”. Further, for the purposes of slide 19 of the Report, Sweeney Pinedo also included respondents who responded “neither likely nor unlikely” and/or “not sure”. Please explain why Sweeney Pinedo chose to count as positive (for the purposes of such questions) responses other than those that are “very likely” given that we understand these questions purport to measure firm intentions.
- **Regarding using scales to predict behaviour; their accuracy in prediction is different dependent on whether you are asking respondents about a new idea with a more ‘knowable’ quantity or something they know less about. Most respondents had not**

experienced 4G at the point of which the survey was conducted, they won't have perfect market knowledge as was demonstrated through their response to those questions regarding 4G and no one knows exactly what 4G suppliers will offer in the future. Therefore Openreach and Sweeney Pinedo have interpreted anyone who is not an outright rejecter to be considered a candidate to adopt 4G in future as they are not yet closed to conversion. Slides 19 and 20 of the Report are concerned with this potential addressable base and so respondents who responded "very likely", "fairly likely" and "neither likely nor unlikely"/"not sure" have been included.

- Slide 26 seeks to identify a realistic approximation of adoption or substitution in response to specific scenarios and so respondents that answered "very likely" or "fairly likely" to the scenarios are included as "positive" responses. Furthermore, it should be noted that those that answered "very likely" or "fairly likely" are characterised as respondents that "could" adopt or substitute rather than ones that "will".

10) Please confirm how, if at all, Sweeney Pinedo ensured, when asking the question "*which, if any, of these describes why you might get rid of your home broadband/ internet?*" (referred to on slide 16 of the Report, as Question 43) that respondents understood this question to relate exclusively to fixed broadband (rather than, for example, mobile broadband used at home).

- In order for a respondent to be asked this question, they will have had to answer "Yes" to a previous question; Q12. Do you have internet at home that is not through a dongle or mobile?" This reduces the potential for those who have mobile broadband at home to be asked Q43.
- In addition to this a number of the response options for this question make direct comparisons to mobile (e.g. Mobile internet more convenient (27%), Mobile internet faster (22%) and I prefer to use my Mobile (12%)), further pointing respondents to the fact that the question refers to a fixed connection for their existing broadband.

11) Please provide Ofcom with a copy of (i) the questionnaire used by Sweeney Pinedo (for the purposes of the Report), and (ii) if possible all responses received by Sweeney Pinedo to such questionnaire(s).

Please find the questionnaire used by Sweeney Pinedo attached, together with a file of the raw response data received from Sweeney Pinedo and an accompanying data map. As indicated above, the Report is an independent report prepared a third party research company, namely Sweeney Pinedo. Sweeney Pinedo has indicated that they are happy for Openreach to provide these documents to you, but please note that these are documents prepared independently by Sweeney Pinedo and Openreach is merely passing these on.

12) Please confirm the error margin(s) applied by Sweeney Pinedo for the purposes of the Report.

As this research is not based on a probability sample it was recommended by Sweeney Pinedo that applying margins of error was not appropriate. Although it is common to

quote confidence levels for non-probability samples in commercial research, there is no scientific grounding in statistics for this. Openreach made the decision to obtain a suitably representative sample size within our prescribed budget and set a minimum of 100 Fixed Voice only (99 achieved) and 100 Mobile only (257 achieved)

Regards

Liam Nicholson

Head of Regulatory Projects

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