



Ofcom's Consumer Policy

Annexes 5&6

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Contents

Annex 5 - Residential Consumer Strategy Research

Section		Page
1	Background and research objectives	3
2	Summary of the research findings	4
3	Competition policy	7
	Access and barriers to technology	
	Awareness of choice	
	Attitudes to choice	
	Consumer satisfaction with current telecoms services	
4	Empowerment	22
	Awareness and understanding of technology and choices	
	Keeping informed	
	Information requirements	
	Sources of information	
	Case study: the Impact of consumer information on awareness – introduction of the 020(3) sub range in London	
	Consumer switching behaviour	
5	Consumer protection	43
	Rights and options in telecoms	
	Awareness and use of telecoms complaints processes	
6	Methodologies and sample sizes	48

Annex 6 - SME Consumer Strategy Research

Section		Page
1	Background and research objectives	51
2	Summary of the research findings	52
3	Competition Policy	55
	Access and barriers to technology ownership	
	Use of suppliers	
	Consumer satisfaction with current telecoms services	
4	Consumer Empowerment	64
	Information requirements	
	Aspects of importance to businesses in choice of supplier	
	Consumer switching behaviour	
5	Consumer Protection	71
	Awareness of complaints processes	
	Awareness of Ofcom	
6	Methodologies and sample sizes	73

Annex 5

Residential Consumer Strategy Research

Section 1

Background and Research Objectives

A5.1 Under the Communications Act 2003, it is Ofcom's principal duty, in carrying out its functions –

- to further the interests of citizens in relation to communications matters; and
- to further the interests of consumers in relevant markets, where appropriate by promoting competition.

A5.2 The purpose of this document is to provide evidence to assist Ofcom:

- define and articulate its role in protecting, supporting, and promoting the interests of consumers
- determine its strategy for consumers
- identify key priorities going forward

A5.3 The following markets are included in this research summary:

- Landline
- Mobile
- Internet (broadband and narrowband)
- Multi-channel TV

A summary of the data sources referred to within this document can be found in the methodology section at the end of this document.

A5.4 The document is structured around three key areas and provides evidence of consumer attitudes and behaviour within each of these:

- **Competition Policy** – take-up of services, use of suppliers and attitudes towards choice;
- **Consumer Empowerment** – consumer awareness of technology and the choices available, attitudes towards consumer information, switching behaviour; and
- **Consumer Protection** – awareness of rights and opportunities, use and awareness of complaints handling processes.

A5.5 Also included within this document is a case-study from a recent initiative:

- Impact of consumer information on awareness (020 3 campaign)

A5.6 In addition, Ofcom is conducting further research in close co-operation with the Consumer Panel focussed on consumer decision-making in telecoms. This research will provide Ofcom with more insight into the decision making process of different consumer groups, including those that currently do not appear to participate in telecoms markets referred to in this document as 'uninvolved' consumers.

Section 2

Summary of the Research Findings

1. Competition Policy

Access and barriers to technology

- A5.7 Consumers without access to services within the communications markets covered in this report, tend to be older and in lower income groups.
- A5.8 Reasons for exclusion from each of the markets include lack of availability of the service (e.g. broadband), and affordability or understanding ('involuntary exclusion'). However, a minority simply said they did not want or need the service ('voluntary exclusion').
- A5.9 Minorities of consumers say they are 'involuntarily excluded' from having a landline or a mobile phone. Stated 'involuntary exclusion' is slightly higher (7%) in the internet market and this largely relates to affordability. 'Involuntary exclusion' from digital TV at home is around 14% and similarly relates to affordability, although this is combined with some lack of understanding, and accessibility issues.
- A5.10 Adults living in households with a combined annual income of under £11,500 per year are significantly more likely to say they are 'involuntarily excluded', more than double the overall UK rate for landlines, internet and digital TV.
- A5.11 Older consumers are least likely to own each of the communications services, but are more likely to be 'voluntarily excluded' i.e. they have chosen not to use/own a particular service.

Awareness of choice

- A5.12 Over 90% of consumers are aware of supplier choices in the mobile, internet and digital TV markets, though they are less certain about which options are available in their local area. Across all markets, awareness of choice is lowest amongst older consumers (65+).
- A5.13 Most consumers are fairly satisfied with the range of supplier choices. Satisfaction with choice of supplier is highest in mobile and internet markets.

Satisfaction with current services

- A5.14 Customers appear relatively satisfied with their overall service in each of the landline, mobile and internet markets. In terms of specific levels of satisfaction this is lowest across all markets with suppliers ensuring that consumers are on the best deal.

2. Consumer Empowerment

This section summarises each of the empowerment issues by market.

Landlines

- A5.15 This market has the lowest level of consumer interest (in terms of keeping informed with developments) and lowest levels of awareness of alternative supplier options, but this is affordable mass market technology with relatively low levels of exclusion. Non-users tend to choose alternatives such as pre-pay mobile phones, often to give them more control over costs, although some cite affordability as an issue.
- A5.16 Perceived difficulties in changing supplier may be limiting use of alternatives although consumers generally simply have not considered changing, largely due to high satisfaction with their current supplier as opposed to being prevented from doing so. There is some evidence that a minority of consumers are not aware of the ability to retain their landline number when switching, and that suppliers are incorrectly advising consumers on this issue.

Mobile

- A5.17 This is the healthiest market in terms of consumer awareness of options, and interest in keeping informed. Understanding of the term '3G' is low in comparison to other terms such as 'broadband', but in itself this is unlikely to limit take-up, as supplier marketing focuses on the functional benefits of the technology, for example video calls or internet access.
- A5.18 Older consumers appear less interested in this market and perceptions of difficulties in using mobile devices among some of this group may limit their uptake.
- A5.19 Around 60% of mobile users have not considered switching suppliers, but a significant minority (32% of switchers) have switched more than once. There were indications of some incorrect advice being given to consumers by suppliers, which combined with limited awareness of mobile number portability, may be deterring some consumers from changing supplier.

Internet

- A5.20 Awareness of the term 'broadband' is higher than other technology terms, but there is a downward trend at 55+, which is consistent with awareness in other communications markets. Younger consumers tend to have a good understanding of 'broadband' and are more interested than older consumers in keeping informed with developments in the internet market which declines from age 55.
- A5.21 Amongst internet users there is some evidence that the 'hassle' factor is limiting switching in the ISP market, however increased satisfaction with services, driven by increased take-up of broadband and corresponding increase in connection speeds, may also be a factor. Portability of email accounts and bundling have also prevented a minority from switching.

- A5.22 Similarly to the mobile market, a minority of internet customers have switched ISP several times.

Digital Television

- A5.23 Awareness of 'digital television' declines with age however, amongst those that were aware there was little evidence of 'misunderstanding' (giving an incorrect response when asked to describe the technology) before age 45, when a downwards trend begins. As with other markets, interest in keeping informed about digital TV increases with ownership and declines with age. One in ten non-owners keeps up to date with information in this market.
- A5.24 Currently older consumers have lower interest in keeping informed in developments and are more likely to 'reject' the idea of digital television and cost is also a key stated barrier to take-up for lower income groups.
- A5.25 There is some evidence (12%) of switching between satellite and cable platforms.

Digital Radio

- A5.26 Awareness of 'digital radio' is just below that of the terms 'broadband' and 'digital TV' on average, but awareness decreases with age at 55+. Awareness of 'DAB' is low in comparison.
- A5.27 This technology currently appeals to 'early adopters', younger consumers and AB social grades.

3. Consumer Protection

- A5.28 Complaints handling is a key consumer issue across the communications sectors. Ofcom regularly receives complaints which it is required to refer back to suppliers. Consumers appear to need more direction about suppliers' complaints procedures in order to reduce the number incorrectly turning to Ofcom.
- A5.29 Furthermore, consumers are not convinced that suppliers are offering them the best deal. They need to be able to make comparisons between suppliers without having to rely on information provided by the suppliers themselves. To do this effectively, consumers must be aware of and have easy-access to clear and trustworthy information.
- A5.30 While the internet is an ideal method of informing consumers, on both complaints handling procedures and comparisons, and one which consumers are increasingly interested in, it should be remembered that many, and perhaps those most 'vulnerable', do not have access to this medium.

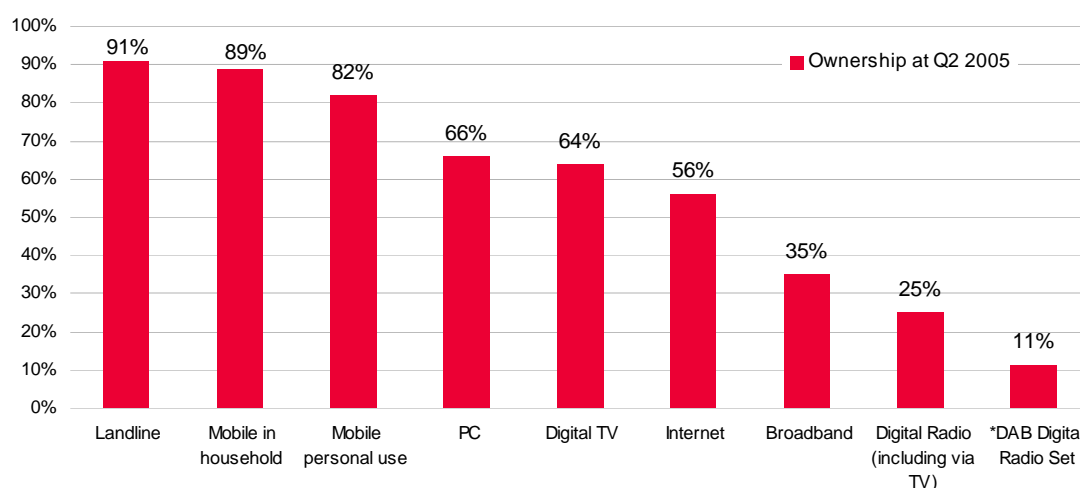
Section 3

Competition Policy

1. Access and barriers to technology

A5.31 Ownership of each of the technologies varies considerably. Most consumers live in households with access to a landline (91%) and mobile phone (89%), see figure A5.1. Two-thirds of adults live in households with a PC and a similar proportion have digital TV (64%) while around six in ten have home internet access (56%). A quarter of adults say they live in households with access to digital radio, but fewer than half of these say they use a DAB set (11%).

Figure A5.1: Proportion of adults with each service/device in the household



Base: 2241 UK adults, Q2 2005, Ofcom residential tracking study conducted by MORI

* Q1 2005 data

Ownership of telecoms services – (landline and mobile phones)

A5.32 Demographic differences in ownership and use of landlines and mobile phones can be seen in figure A5.2 below. While ownership and use of landlines increases steadily with age, mobile penetration declines with age, particularly at 65+.

A5.33 However, mobile ownership at both a household and individual level grew between Q2 2004 and Q1 2005 across most demographic groups and a further 3% of adults said they were likely to get a mobile within the next 12 months. Growth was most notable amongst the over 65's (from 48% to 62%) and DE categories (from 72% to 83%).

A5.34 Pre-pay mobiles are most popular, although use has been in steady decline since early 2003 (falling 6 percentage points from 71% in Q1 2003 to 65% in Q2 2005), with corresponding growth in use of contract phones (26% to 30%).

- A5.35 As mobile phones have increased in popularity, there has been a corresponding rise in the proportion of adults that think of their mobile as their 'main method of telephony' (28% in Q2 2005, compared to 21% in 2004) – amongst those with both a mobile and landline a quarter considers their mobile their main method of making and receiving calls.

Figure A5.2 Penetration rates by age and social grade

	Age					Social grade			
	Total	15-24	25-44	45-64	65+	AB	C1	C2	DE
Landline									
Have in household	91%	82%	85%	95%	98%	96%	95%	91%	82%
Mobile Phone									
Have in household	89%	98%	97%	91%	61%	94%	90%	91%	80%
Personally use	82%	96%	93%	81%	49%	87%	84%	86%	72%
Mobile only	8%	17%	12%	4%	1%	4%	5%	8%	17%

Base: 2241 UK adults, Q2 2005, Ofcom residential tracking study conducted by MORI

Barriers to telephony adoption¹

- A5.36 Most (95%) consumers without a landline at home have access to at least one mobile phone, but the remaining 5% (equating to c.0.5% of all adults) are without any means of telephony. Most of those without a phone at all (81%) said they were unlikely to get a landline in the next 12 months and, in fact, more than a third said they were 'certain not to'.
- A5.37 The main stated reasons for being unlikely to get a landline were 'no need' (38%) or 'use mobile instead' (42%). However, 15% said it was generally too expensive, 11% cited prohibitive line rental costs, and 2% mentioned call costs. This indicates some level of 'involuntary exclusion' from the landline market particularly amongst older consumers and low income groups. Ofcom's media literacy study will address the issue of exclusion in further detail which is due to be published later this year.

Barriers to landline adoption

- A5.38 Almost one in ten adults say they live in a home with only a mobile phone, see figure A5.2. These are predominantly pre-pay users (75%). The main reason consumers give for choosing to use a mobile instead of a landline is to maintain some level of control over costs:
- 'controlling costs' (36%)
 - 'communal household/students sharing accommodation that all use their own mobiles' (14%)
 - 'not wanting to get into debt' (9%)
- A5.39 In addition, almost a quarter (23%) say they simply have no need for a landline or that they are satisfied with using their mobile.

¹ Base: 2241 UK adults, Q2 2005, Ofcom residential tracking study conducted by MORI

A5.40 While this suggests that these consumers are without a landline through choice, there are some who appear to be excluded involuntarily. Their reasons for non-ownership are:

- 'affordability of landline connection charges' (13%), or
- 'unable to get fixed line due to previous disconnection' (4%).

This report provides a summary of exclusion issues which will be covered in more depth within Ofcom's Audit of Media Literacy report.

A5.41 Potential difficulties using devices/service may also limit access. While most adults (88%) do not have, or think they might have any difficulty using a landline phone, older consumers (65+), and those with disabilities were more likely to say they would have problems using a landline. The main issue is their ability to hear the person on the other end – even with the volume turned up.

Barriers to mobile adoption²

A5.42 Ownership of mobiles is lowest amongst older consumers (65+), DE social grades and adults living in low-income households, as illustrated in figure A5.3.

A5.43 Consumers in rural areas are as likely as those in urban areas to say they own a mobile (83% and 82% respectively). Likewise, the level of area deprivation does not seem to have an impact on ownership.

A5.44 Twice as many consumers (25%) consider they have or would have difficulty using mobile phones in comparison to the 12% who think they would have difficulties using landlines.

A5.45 The key difficulties (prompted) for mobiles were:

- navigation of the phones menu (11%),
- writing text messages (9%),
- problems with hearing callers (8%),
- viewing the display/numbers to dial (6%).

A5.46 As with landlines, older consumers (this time 45+) and those with disabilities were most likely to consider they have or would have difficulties with mobile handsets.

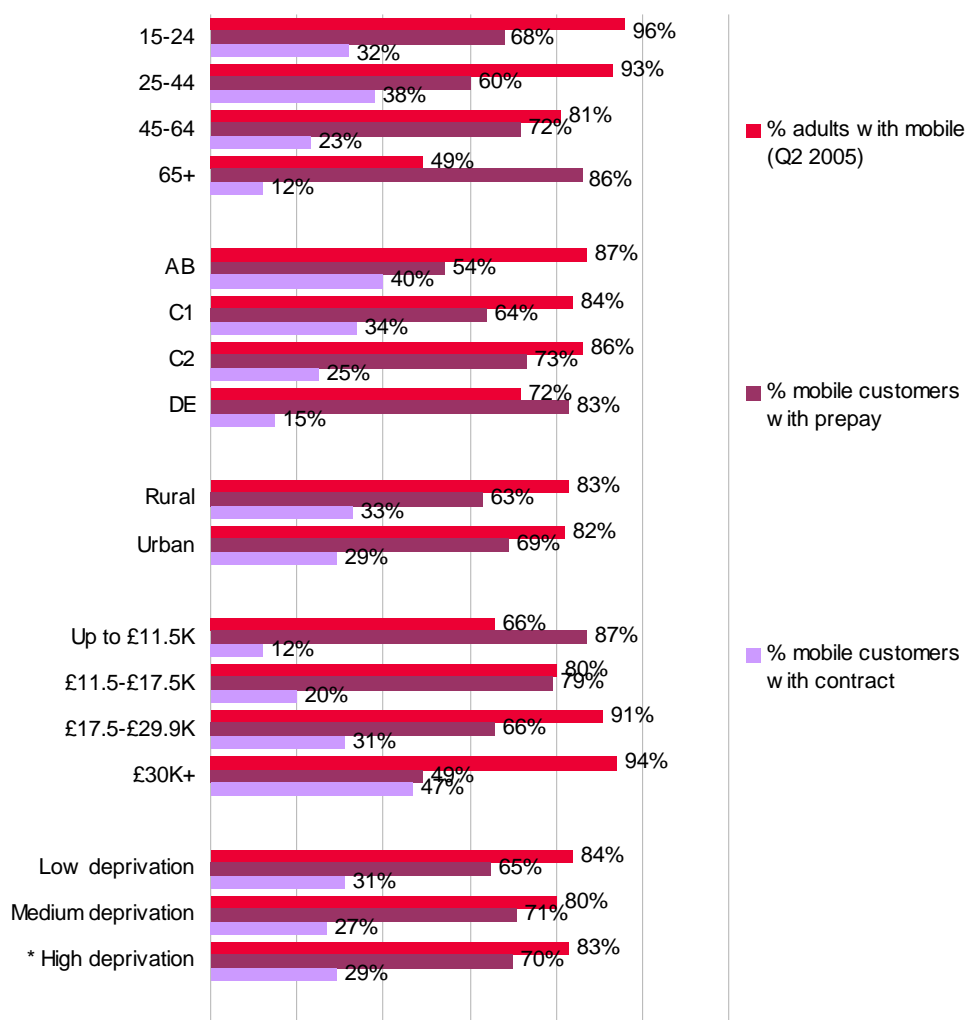
Choice of mobile package

A5.47 Income and age are important factors in the use of contract mobiles. These are more popular than average amongst the 25-44 age groups, AB social grades and higher income groups. Lower income, DE social grades and older consumers are more likely to have pre-pay mobiles (figure A5.3).

² 2241 UK adults, Q2 2005, Ofcom residential tracking study conducted by MORI

- A5.48 Geography does not appear to have an impact, with consumers living in rural and high deprivation areas as likely to use contract phones as those living in urban and lower deprivation areas.

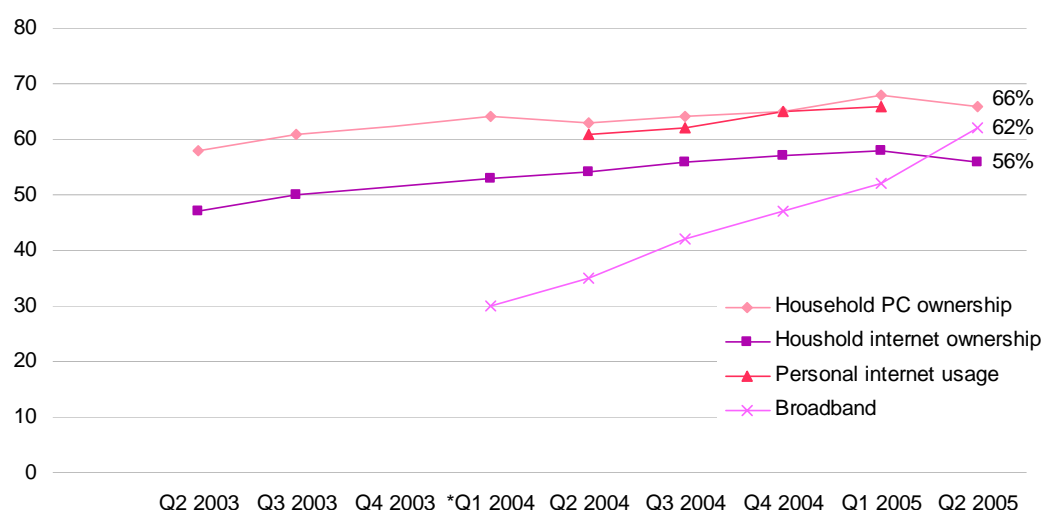
Figure A5.3 Profile of mobile customers, and pre-pay and contract mobile customers



Base: 2241 UK adults, Q2 2005, Ofcom residential tracking study conducted by MORI

PC and Internet (including broadband) ownership

- A5.49 Having remained relatively stable during 2004, PC ownership rose significantly between the end of 2004 and Q1 2005 to 66%, see figure A5.4. Internet access at home has remained relatively stable since early 2004, and currently 62% of adults live in homes with internet access. Currently just under one fifth (16%) of adults have a PC at home that is not connected to the internet.
- A5.50 Personal use of the internet (either from home or elsewhere) also increased steadily between early 2004 and Q1 2005, with two-thirds of adults saying they access the internet.
- A5.51 Cable customers are more likely to be connected to the internet at home compared to BT customers (71% and 59% respectively) and the UK average (56%).

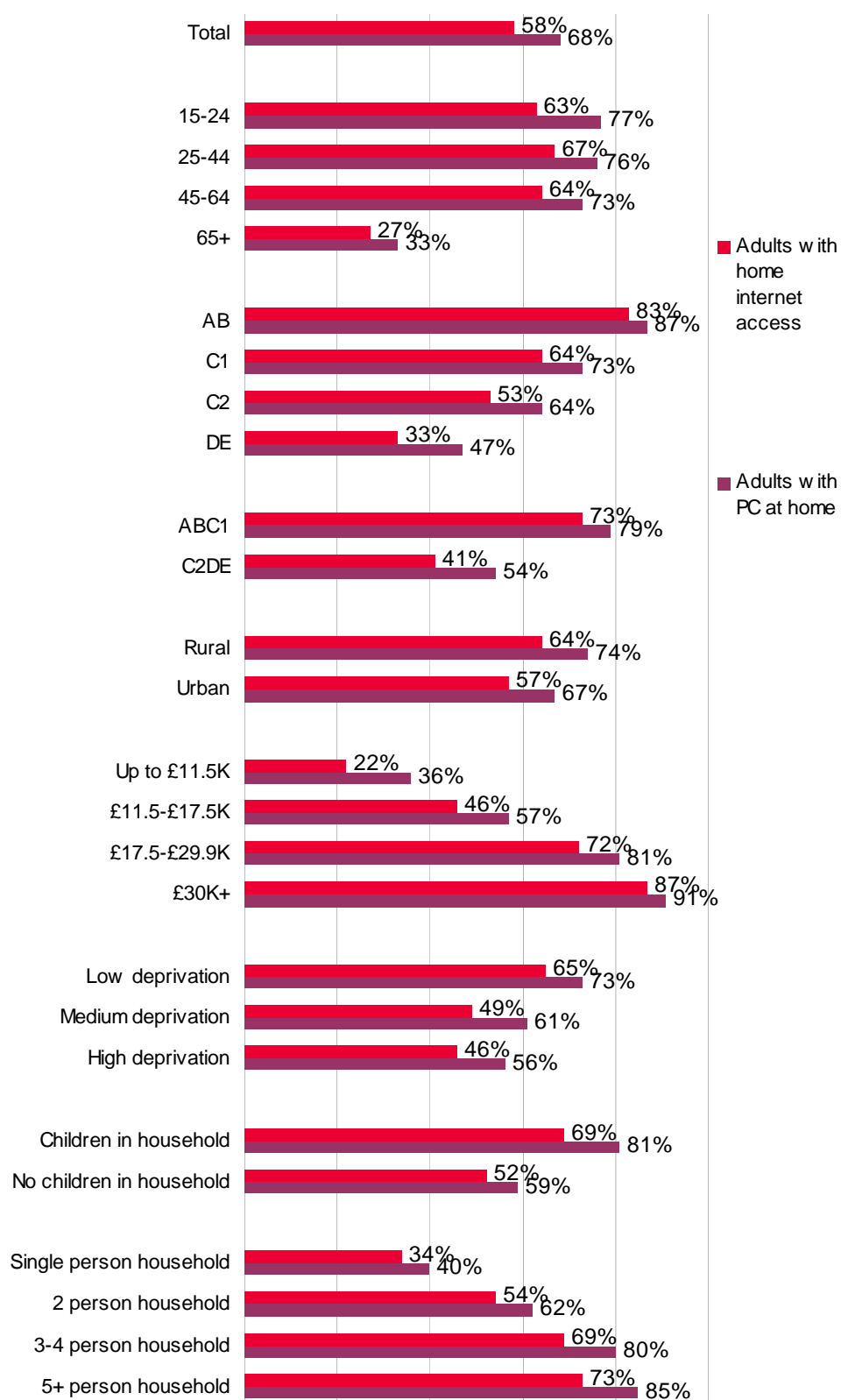
Figure A5.4: Trend in penetration of Internet and PC and home and total use of internet

Base: 2241 UK adults, Q2 2005, Ofcom residential tracking study conducted by MORI

Broadband data is based on all with internet at home

- A5.52 Ownership of PCs is correlated to income, (figure A5.5), and is lowest amongst low-income households, DE social grades, and consumers living in areas of high deprivation.
- A5.53 Larger households (85%) and households with children under 15 (81%) are more likely to own a PC. These relationships are mirrored with internet access: low-income groups, DE social grades and older consumers (65+) are least likely to have home internet access.
- A5.54 It should be noted that rural areas have experienced significant growth in internet access in the last 3 years, rising 22 percentage points, from 42% to 64%, between Q1 2003 and Q2 2005, although this data is not charted in this report.

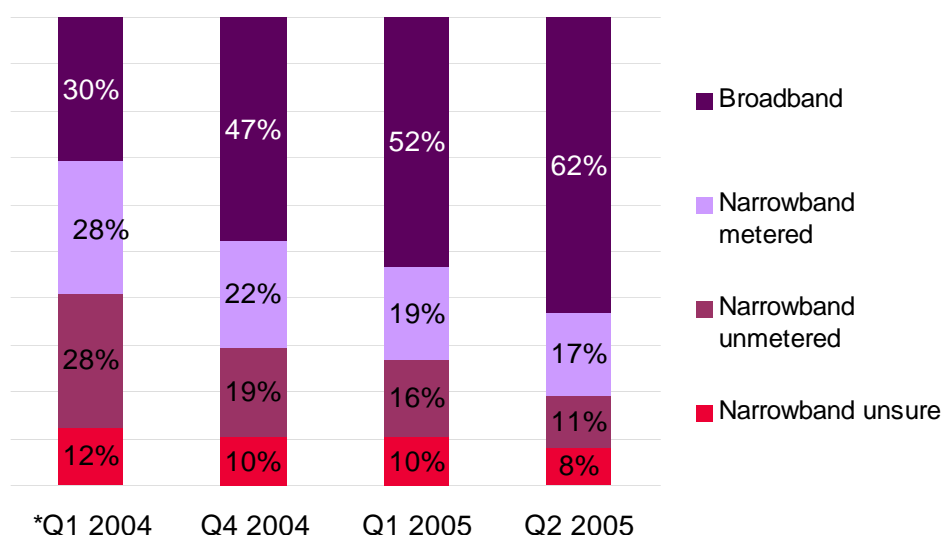
Figure A5.5: Profile of adults with home PC and Internet access



Base: 2241 UK adults, Q2 2005, Ofcom residential tracking study conducted by MORI

A5.55 Six in ten (62%) adults with internet at home use a broadband connection, see figure A5.6, which equates to approximately 35% in total. Significant growth in broadband connections occurred during 2004, partly due to narrowband customers migrating to broadband from either metered or unmetered packages, but also including a proportion of consumers who connected straight to broadband. As illustrated below broadband penetration has continued to increase significantly on a quarterly basis, which is consistent with growth reported by industry data.

Figure A5.6: Trend in main internet connection



* based on all connection methods used.

Base: 1242 UK adults with internet access at home, Q2 2005, Ofcom residential tracking study conducted by MORI

Barriers to Internet adoption

- A5.56 Around four in ten adults do not have internet access at home. Most of these (69%) said they were unlikely to get access in the next 12 months, with almost half (48%) saying they were certain not to.
- A5.57 Research conducted in November 2003 by Oftel³ suggested that cost, while being a significant factor, was not the only barrier to adoption.
- A5.58 This research showed that while half of homes had internet access, almost a quarter (23%) claimed they wouldn't use the internet at home. This was the case even if everything needed to access the internet was provided free, with no usage costs.
- A5.59 These consumers tended to be C2DE social groups, lower income, aged 55+, and living in homes with no children. Their reasons included a lack of need or interest, although a small proportion (4%) mentioned a lack of understanding as a barrier.

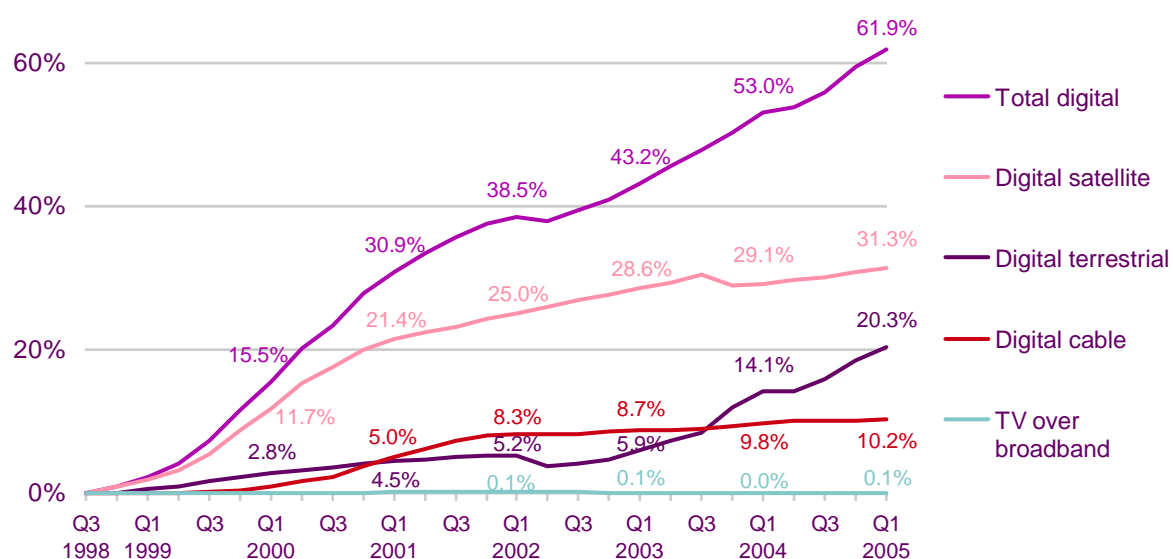
³ Oftel's November 2003 tracking study

- A5.60 The remaining 27% claimed they would use the internet at home if it were free. This group cited cost (10%) and/or lack of understanding (10%) as the main reasons for not already having access.
- A5.61 In total almost half (48%) of consumers without internet access mentioned cost or understanding as barriers to home use – at that time this equalled a quarter (24%) of all UK households.
- A5.62 These 2003 findings indicated that there was a limit to UK household internet penetration under those current circumstances. The removal of cost and understanding barriers could give rise to further significant increases, but a significant minority are likely to remain uninterested and unlikely ever to go online at home – even if internet access is provided free. Ofcom's media literacy study also investigates exclusion from the internet/broadband services which will allow Ofcom to understand whether and how consumer attitudes in relation to the internet market have changed.

Digital TV ownership

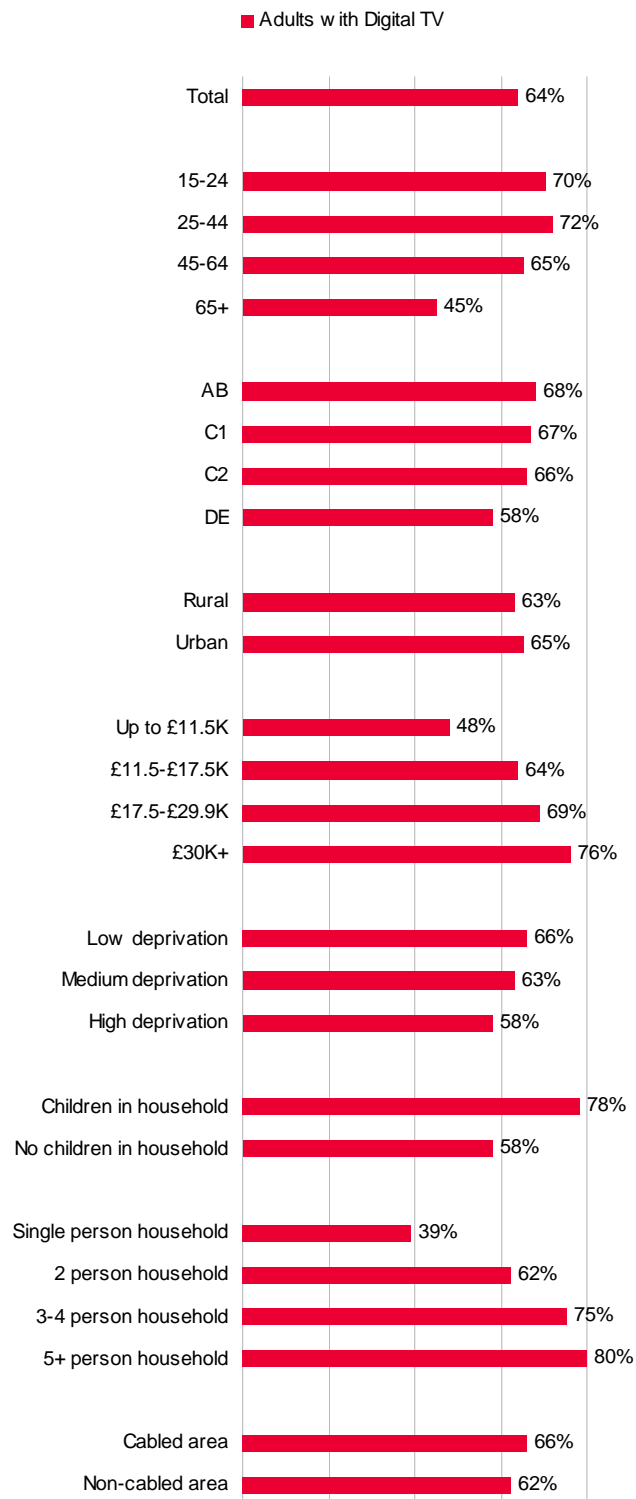
- A5.63 Almost all (99%) adults live in a home with a TV set. Around two thirds of these have multi-channel television via satellite, cable or Freeview – including analogue cable subscribers. While satellite subscription services (Sky) remained the single largest provider of digital TV services, digital terrestrial (Freeview) accounted for most of the growth, figure A5.7.

Figure A5.7: Trend in household penetration of major digital platforms

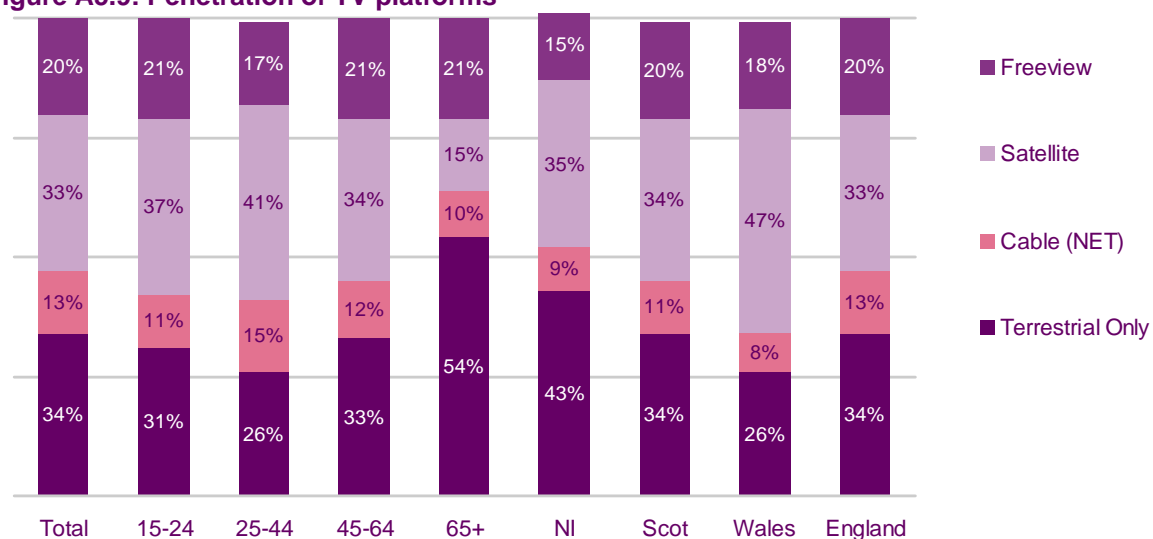


Source: Ofcom Digital Television Update

- A5.64 Consumers with Digital TV share some of the same characteristics as those with internet and PC access. Ownership is highest amongst larger households (80%), and those with children (78%), although income does not appear to be a significant factor, unlike PC and internet access.

Figure A5.8: Profile of adults/homes with digital television

Base: 1400 UK adults with digital TV, Q2 2005, Ofcom residential tracking study conducted by MORI

Figure A5.9: Penetration of TV platforms

Base: 2,217 UK adults, Q1 2005 Ofcom residential tracking study conducted by MORI
(NI-160 Scot -186 Wales-167)

Use of Freeview services

A5.65 A quarter of consumers use Freeview and while three-quarters of these say they are aware of Top-Up TV, a minority of these (5%) subscribe to it. A further 16% claim to be interested, to any extent (3% very interested) in a future Top-Up TV subscription. Stated interest is highest amongst the DE social grades and households in the pre-family and family life stages.

A5.66 It is important to note that, since this research was conducted, E4 launched on Freeview (May 2005). Previously this channel was only available on this platform via Top-Up. This may have some impact on interest and take-up of Top-Up services.

A5.67 Just over one in ten users (11%) access Freeview via a digital television set as opposed to a set top box. Overall 15% of homes only use Freeview, while one in ten uses an additional platform. The majority (83%) of Freeview (via set-top box) customers only have one box.

Barriers to digital TV adoption

A5.68 In keeping with the trends in ownership of other communications technologies, older consumers (65+) are least likely to have multi channel TV (46% compared to 66% average), figure A5.9.

A5.69 Non-adopters do not have clearly defined socio-economic or demographic characteristics, but are a diverse group with different barriers and motivations. Age, however, is a key factor: the 55+ group are most likely to reject the idea of ever getting digital TV.

A5.70 Cost is the main barrier to adoption, with many consumers saying they will only take up this platform once prices fall.

A5.71 Geography, in terms of rural and urban split the level of deprivation and whether living in a cabled area (where consumers have additional platform choices) does not play a significant factor in adoption. Ofcom's Audit of the

Nations and Regions will further explore whether there are some national and regional differences evident.

- A5.72 Concerns about use of technology are apparent in terrestrial TV use: around one in ten (8%) consumers recently (Q1 2005) said they had difficulties using their TV. Consistent with findings across other communications markets, the incidence is higher amongst older consumers (65+) and those with a disability. The latter have problems largely related to hearing and seeing TV content.

Digital radio ownership

- A5.73 As illustrated in figure A5.1, a quarter of adults are aware that they have access to digital radio at home. In fact all consumers with digital television have access to digital radio but the data indicates limited awareness of this. 1 in 10 say they have a DAB digital set. Early adopters of DAB are younger consumers, higher income and higher social grades. While most owners have only one set in their home around 1 in 10 users claim to have two.

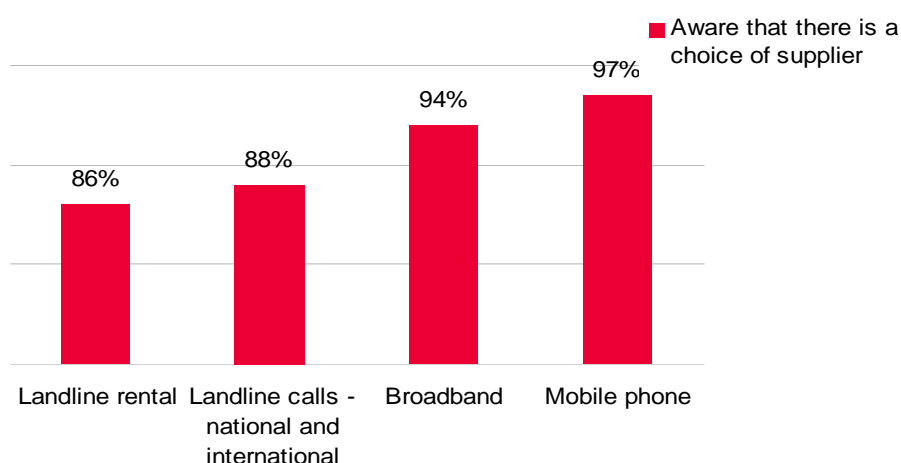
- A5.74 1 in 10 adults say they are likely to get a DAB radio set in the next six months although most of these say they are 'fairly likely' to do so.

2. Awareness of choice

Landline suppliers

- A5.75 Findings from a recent survey conducted for the ERSC Centre for Competition Policy at the University of East Anglia (CCP) into consumer search and switching behaviour indicate that in general residential consumers appear to be aware that they have supplier choices for purchasing telecoms services. Awareness is lowest for choices in the landline market, see figure A5.10. Generally awareness is lowest amongst older consumers (60+).

Figure A5.10: General awareness of alternative supplies in telecoms markets



Base: 1404 landline decision-makers, 1307 landline calls decision-makers, 1551 mobile decision-makers, 567 broadband decision-makers, survey conducted by MORI for CCP, Q2 2005

Mobile networks

A5.76 There are currently around 15 mobile network operators/service providers in the UK. 97% of mobile decision makers were aware of at least one alternative supplier, and during 2003 as report in the TSR around seven in ten consumers were aware of at least three, both without prompting. The CCP survey data supports this higher level of general awareness compared to landline suppliers (97% compared to 86% and 88%). Lowest awareness of alternatives in this market is amongst consumers in social grade E.

ISPs

A5.77 The level of supplier choice in the internet market than in each of the fixed lines and mobile markets. Most (92%) internet decision makers were spontaneously aware of at least one alternative during 2003 and were the most satisfied with the level of supplier choice, compared to consumers in the other telecoms markets. The CCP survey reports specifically on broadband customers and indicates that 94% of broadband decision-makers are generally aware that they have a choice of suppliers.

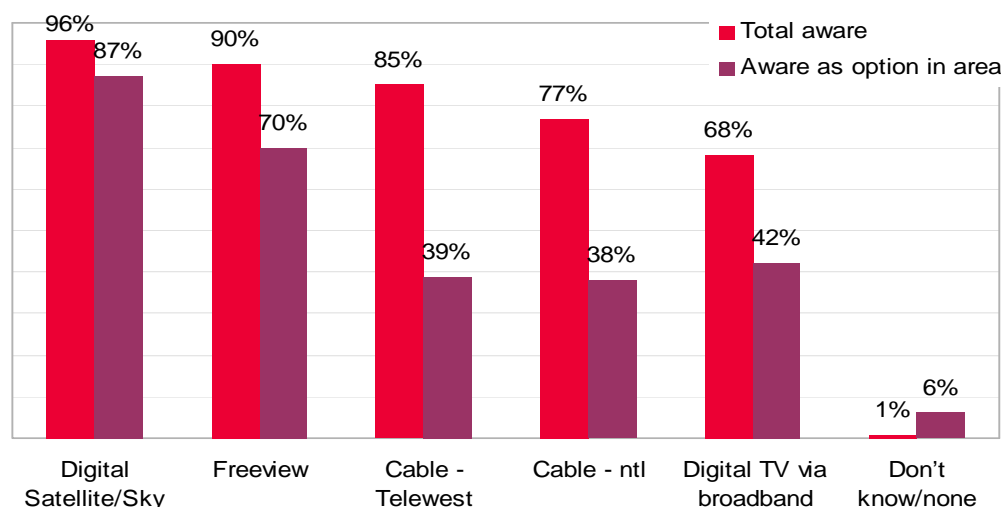
Multi-channel TV options

A5.78 Almost all (99%) UK adults with a landline were aware of at least one multi-channel TV supplier or platform when prompted. Awareness of digital satellite/Sky was highest at 96%, followed by Freeview (90%), Telewest (85%) and then ntl (77%).

A5.79 Awareness of each of these options was lowest amongst older consumers in particular those aged 65+.

A5.80 Consumers were less confident about whether each of these options was available in their area, and 6% were unsure whether any of the options were available to them. Significantly fewer (14%) older consumers were aware of any options in their area.

Figure A5.11: Awareness of digital TV platforms



Base: 2110 UK adults aged 18+ with landline, 23-29 September 2005, ad hoc study conducted by ICM

3. Attitudes to choice⁴

Telecoms suppliers

- A5.81 Most consumers are fairly satisfied with the range of supplier choices available to them, especially in the mobile and internet markets, but slightly less so in the fixed market. 49% of residential consumers stated that the number of available suppliers was 'about right' for fixed lines, 41% for fixed calls, 56% for mobile phones, and 62% for ISPs. Only a few consumers felt that there were too few choices available (18% for fixed lines, 7% for fixed calls, 6% for mobile phones, and 13% for ISPs).

Directory Enquiries services⁵

- A5.82 Research conducted for the directory enquiries project reported that 68% of consumers felt a choice of many different providers was confusing. However, competition was seen as having some benefits by some consumers, leading to service improvement (40% agree) and driving down costs (42% agree). While relating specifically to the DQ market, these results give some insight into consumers' attitudes towards choice. DQ is a market which consumers generally use infrequently and is declining in use, potentially a low-interest market which may affect opinions on the level of desired competition.

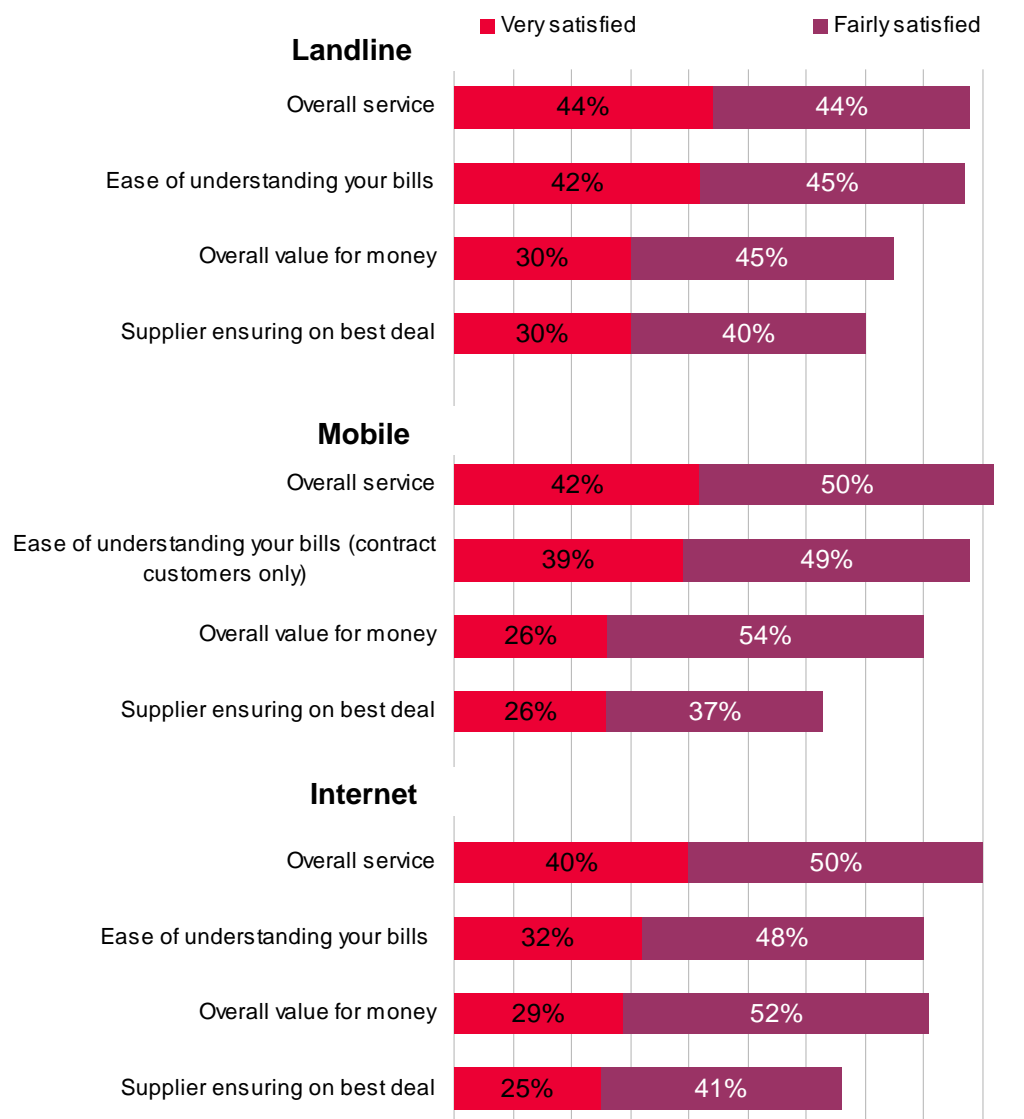
4. Consumer satisfaction with current telecoms services

- A5.83 Consumers appear relatively satisfied with their overall telecoms services, see figure A5.12. While most landline and mobile (contract) customers were satisfied with the ease of understanding their bills, internet customers were slightly less satisfied with this aspect.
- A5.84 Value for money tends to gain lower levels of satisfaction than overall service and ease of bill understanding and this continues to be the case. However, consumers are even less satisfied that their suppliers are ensuring that they are on the best deal. Around two thirds of internet and mobile customers were satisfied with this aspect of supplier service. Landline customers were significantly more satisfied at 70%.

⁴ Telecoms Strategic Review data, Q3 2004, Ofcom residential tracking study conducted by MORI

⁵ Base: 2122 UK adults, Q4 2004, commissioned by Ofcom conducted by MORI

Figure A5.12: Satisfaction with aspects of telecoms services



Base: 2007 UK adults with landline, 1639 UK adults with mobile, 500 UK adults with contract mobile, Q2 2005, 1188 UK adults with internet, Q1 2005, MORI, Ofcom tracking study

- A5.85 Factors influencing consumer satisfaction differ between markets. In the internet market, choice of connection method has an impact on satisfaction, with broadband customers more likely to express that they were 'very satisfied' than narrowband users (46% versus 31% respectively).
- A5.86 Factors influencing satisfaction in the fixed market vary according to consumers' choice of supplier and consumers are generally satisfied with the aspect of service that is most important to them. Cable customers place a higher importance on value for money and report higher than average satisfaction with this aspect, whereas BT customers are more likely to say they value the reliability of a provider and are generally more satisfied with this aspect than average.
- A5.87 Satisfaction with multi-channel TV services is broadly similar to telecoms. During March 2005 88% of multi-channel TV customers were satisfied with their overall service (46% very and 42% fairly). Figures varied slightly by

platform from 84% amongst adults only using Freeview, and 86% amongst cable customers to 91% amongst satellite customers. It should be noted that figures for cable and satellite may include some customers that are also using Freeview.

Section 4

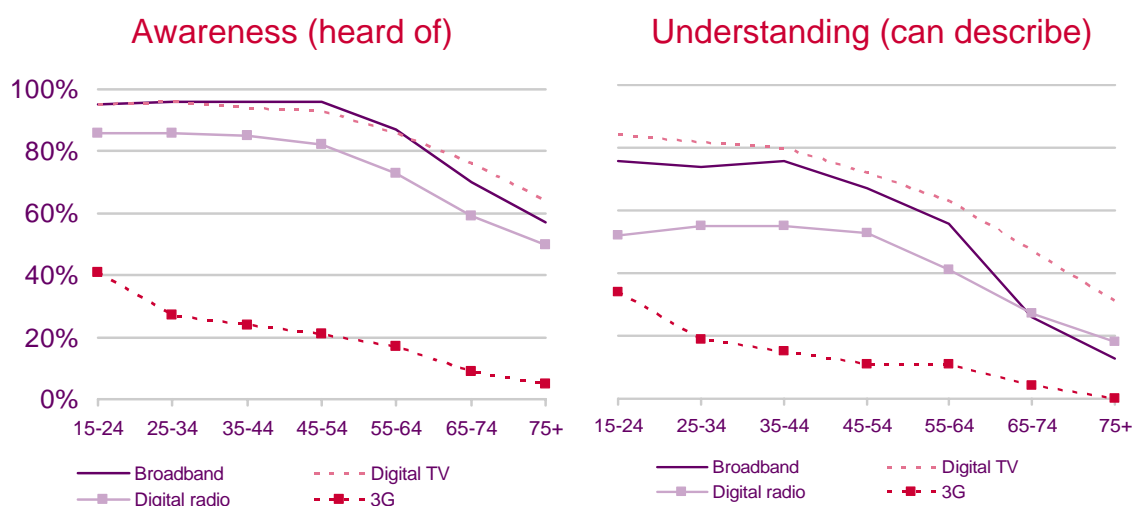
Empowerment

1. Awareness and understanding of technology and choices

Awareness of technology terms

- A5.88 Consumers need to be empowered with information on their rights and options in order to make informed decisions on whether or not to purchase communications services. As importantly, they also need to be aware of, understand and have a perceived need for any potential benefits of the services.
- A5.89 Awareness of the terms 'internet', 'world-wide web', and, later, 'broadband', were relatively low in the early days of the internet. Now, however, as reported in the Consumer Panel's survey conducted in October 2004, the majority of adults are aware of these terms, as illustrated in figure A5.13, but awareness of newer terms such as '3G' is lower.
- A5.90 The majority of consumers have not heard of '3G' as a term relating to communications services. However, as marketing for '3G' services tends to focus on service capability (e.g. video calling, downloading) the lower awareness of the term is unsurprising.
- A5.91 While there were variations in levels of awareness of technical terms, (broadband, digital TV, digital radio, 3G) there was little evidence of any misunderstanding – this being defined as a consumer being unable to give a correct description of the service.

Figure A5.13: Awareness and understanding of communications services terms by age



Base: 2519 UK adults, October 2004, Ofcom Consumer Panel Survey, conducted by saville rossiter-base

- A5.92 Overall awareness of the term 'digital TV' is relatively high, but shows a similar decline in awareness by age to 'broadband'.
- A5.93 While awareness of 'digital radio' is closer to that of 'broadband' and 'digital TV', particularly amongst the younger age groups, further research conducted by Ofcom in Q2 2005 which explored awareness of the term 'DAB' in relation to digital radio found that around 2 in 5 consumers aware of digital radio were not aware of 'DAB' in connection with it.
- A5.94 Overall, there is a linear relationship between age and awareness and understanding, with a noticeable decline in awareness at age 55+ and a decline in understanding at age 45+, for some technologies.

Understanding of technology terms⁶

- A5.95 Consumers with a disability and those in low-income households (aged under 65) had lower levels of understanding of most terms, illustrated in figure A5.14.
- A5.96 Location i.e. living in either rural or dense urban areas, does not have a significant impact on understanding of communications terms.
- A5.97 Understanding of both 'broadband' and 'digital radio' was at a significantly lower level for those aged under 65 in low income households or with a disability, and those with a disability were also significantly less likely to understand what the term '3G' meant. However, consumers in each of these groups had heard of the technologies, as scores for awareness were closer to the UK average.

Figure A5.14: Understanding of communications services terms



Base: 2519 UK adults, October 2004, Ofcom Consumer Panel Survey, conducted by saville rossiter-base

⁶Base: 2519 UK adults, October 2004, Ofcom Consumer Panel Survey, conducted by saville rossiter-base

2. Keeping informed

- A5.98 Consistent with the data collected for Ofcom's Strategic Review of Telecommunications (TSR), consumers continue to be least likely to keep informed about developments relating to their landline (19%). TV and internet elicit higher overall interest with 27% and 28% of consumers respectively saying they keep informed about these services. Mobile phones are most popular with a third of all consumers saying they keep informed about developments in this market.
- A5.99 Taking ownership into account, almost as many non-owners (16%) as owners (19%) say they keep informed about the landline market. However, for mobile and internet, owners are significantly more likely to keep informed than non-owners, as illustrated in figure A5.15.

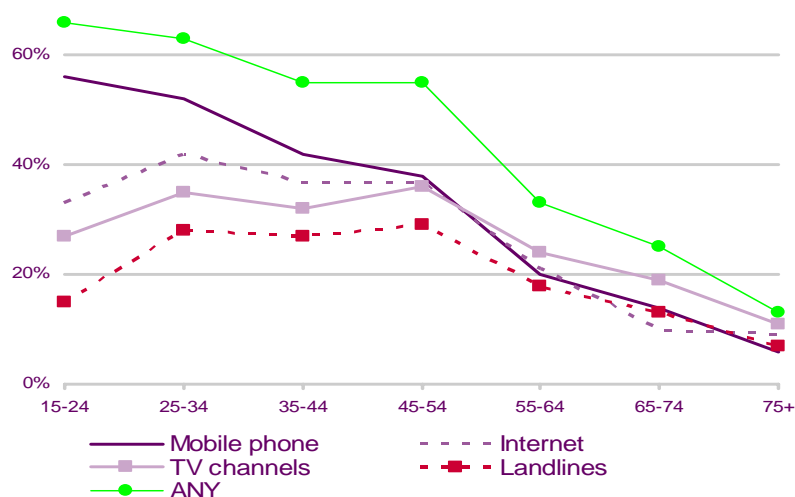
Figure A5.15: Keeping informed about new developments in communications services

	Landline	Mobile	Internet	TV
All adults	19%	33%	28%	27%
Ownership	19%	37%	39%	27%
Non-ownership	16%	6%	12%	n/a

Base: 2241 UK adults, Q2 2005 Ofcom residential tracker, conducted by MORI

- A5.100 While not directly comparable the Consumer Panel data illustrates that age is the most significant factor in measuring consumers' interest in keeping informed, see figure A5.16.
- A5.101 One in five consumers aged 65+ say they keep informed about developments in communications, although one in three in this age group said they have nowhere to turn for advice or information on these services. This compares to 62% of 15-24 year olds that keep informed about any communications services. The finding that those who are working are more than twice as likely to keep informed as those who are retired backs up this apparent isolation of older people⁷.

⁷ Base: 2519 UK adults, October 2004, Ofcom Consumer Panel Survey, conducted by saville rossiter-base

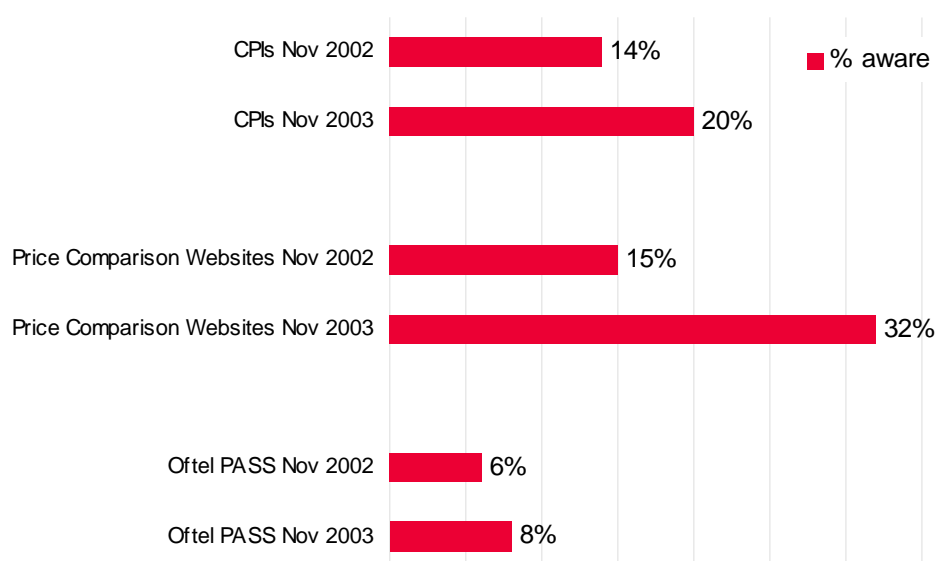
Figure A5.16: Keeping informed about communications services developments by age

Base: 2519 UK adults, October 2004, Ofcom Consumer Panel Survey, conducted by saville rossiter-base

Quality of service and cost information

- A5.102 The legacy telecoms regulator (Oftel) and some intermediaries produced Comparable Performance Indicators (CPIs) that enable consumers to compare the performance of different companies on various aspects of service. During 2003 1 in 5 residential consumers were aware of any source of information that allows comparisons of performance – a significant rise from 14% in 2002, figure A5.17. Awareness was highest amongst higher (£30k+) income groups (27%), AB social grades (25%), middle aged (35-54) consumers (25%), and those with home internet access (24%).
- A5.103 Awareness of websites that provide information enabling consumers to compare the prices of fixed line operators doubled to 32% between 2002 and 2003 (up from 15% in Nov '02). Contributing factors are likely to include increased home internet penetration during this period, awareness campaigns by some of the websites concerned and publicity generated by the Oftel PASS scheme. The increase in awareness was apparent across all demographic groups, and particularly large increases were seen amongst under 55s and ABC1 social groups.
- A5.104 In 2002, Oftel introduced a seal of approval called Oftel PASS, which Ofcom inherited and re-branded. This accreditation is for websites which compare the prices of different suppliers and provide impartial and accurate information. Currently one website (uSwitch) has been accredited by Ofcom.
- A5.105 Awareness of the PASS scheme stood at 8% in November 2003 amongst residential consumers and was slightly higher amongst older consumers and ABC1 social groups. This was a small, but significant, rise in awareness since the first measurement in September '02 (6%).

Figure A5.17: Awareness of consumer information



Base: 2150 UK adults aged 15+, November 2003, Oftel residential tracker conducted by MORI

3. Information requirements

A5.106 Using market research to predict future take-up and use of services is difficult particularly when estimating use dependant on circumstances. Therefore the following information on claimed potential use of information sources should be regarded with caution. Given that claimed intentions are rarely achieved in practice, the data should be viewed as 'best-case' and actual use is likely to be significantly lower.

Cost

A5.107 Cost continues to be the most important aspect for consumers when choosing a telecoms supplier. Demand for additional information on cost ranged from 18% to 31% across markets – lowest in mobile, highest in fixed. In addition, many consumers appear to want clearer information with over 30% of decision makers in each market saying they found current price comparison information difficult to use.

A5.108 Almost three-quarters of decision makers within each market claimed they would potentially use cost comparisons when choosing a new supplier, figure A5.18. Information on call charges is most wanted in both the fixed and mobile markets. However, levels of claimed behaviour are rarely achieved in practice and actual usage is likely to be significantly lower than this.

Figure A5.18: Claimed potential use of cost comparisons, multi-coded, prompted

	Desired information on cost				
	Total claimed use of cost comparisons	Calls	Line rental/ subscription	Package/tariff /inclusive calls	Discount schemes
Landline	71%	60%	47%	32%	25%
Mobile	74%	56%	39%	44%	n/a
ISP	76%	38%*	64%	42%	24%
**TV (multi-channel)	73%	n/a	68%	46%	29%

* asked to those that pay for calls while online

** TV – in addition to the areas noted above 50% of adults in homes with multi-channel TV were interested in information comparing installation costs

Base: 2029 UK adults with landline, 1934 UK adults with mobile, 1293 UK adults with internet, 1424 UK adults with multi-channel TV, Q1 2005, Ofcom residential tracking study, conducted by MORI

Cost of directory enquiry services⁸

A5.109 In the directory enquiries (DQ) market there is some demand for information allowing consumers to compare the costs of the various 118 providers. A third of DQ users say they would use information if available but almost two-thirds (63%) say they are unlikely to. Potential use is highest amongst younger DQ users (15-34) and AB social grades.

Quality of service

A5.110 Data collated for Ofcom's Strategic Review of Telecommunications (TSR) reported that consumers are spending more time and money on mobiles and the internet than they used to, and there is correspondingly higher interest for comparable quality of service information in these markets (44% and 58% respectively). This is in contrast to the fixed market where 33% say they would use quality comparisons when choosing a supplier.

A5.111 Interest in aspects of service varies by market. Mobile customers are interested in coverage and billing accuracy comparisons. Internet customers indicate demand for comparisons on available services, speeds and coverage. Customer satisfaction is the only information consistently requested across all markets and, to a lesser extent, information on levels of customer complaints.

⁸ 2122 UK adults, Q4 2004, Ofcom's Evaluation of Directory Enquiry Services, conducted by MORI

Figure A5.19: Claimed potential use of quality of service comparisons, multi-coded, prompted

	Desired information on quality										
	Claimed use of quality comparisons	Fault repair times	No. of faults (fixed) or cut off calls (mobile)	Customer sat	Accurate bills	Customer complaint levels	⁹ Changes to service, completed	UK coverage	Int. coverage	Service speeds	Services available
*TV – multi-channel	60%	9%	n/a	12%	12%	80%	n/a	19%	n/a	n/a	21%
Fixed line	33%	10%	8%	18%	n/a	9%	4%	16%	n/a	n/a	n/a
Mobile	44%	n/a	6%	13%	12%	8%	n/a	31%	13%	n/a	n/a
ISP	58%	10%	n/a	19%	16%	9%	n/a	20%	n/a	30%	29%

* TV –in addition to the areas noted above 35% of adults in homes with multi-channel TV were in interested in information comparing different channel packages

Base: 2029 UK adults with landline, 1934 UK adults with mobile, 1293 UK adults with internet, 1424 UK adults with multi-channel TV, Q1 2005, Ofcom residential tracking study, conducted by MORI

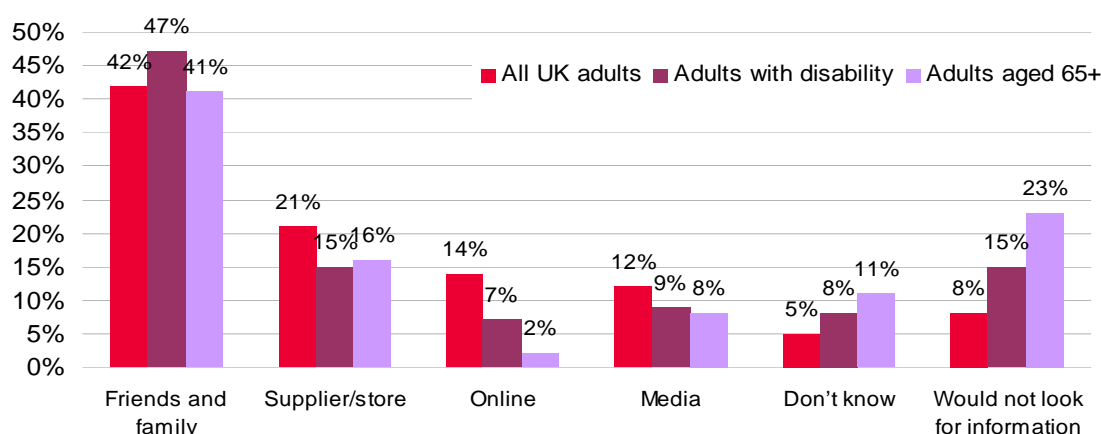
4. Sources of information

A5.112 As mentioned above, particular groups of consumers are more likely to keep informed about developments in the communications markets. Amongst consumers who do not keep informed, a significant minority (around one in five) could also not recall any sources of information on communications services and so would not know where to turn for advice. This did not vary significantly by demographic group other than older people, aged 65 +, amongst whom around one in three could not recall any sources of information.

A5.113 The most cited top of mind source of general information on communications services for UK consumers is friends and family members; around two in five UK adults claim they would turn here first for advice or information on any communications services. Service suppliers or retail outlets selling the services followed this, with one in five turning to these sources.

A5.114 Around one in seven consumers would consult on-line information or media sources, but this is considerably more common amongst those who keep themselves informed. The majority of those who would look on-line refer to 'browsing' for information and do not specify a particular source, but close to half of those who would look on-line mention websites of suppliers or service providers.

⁹ Refers to the number of requests made to supplier for changes to be made to fixed line service, that are completed within particular timescale

Figure A5.20: Sources of trusted information on communications services, prompted

Base: 2519 UK adults, October 2004, Ofcom Consumer Panel Survey, conducted by saville rossiter-base

- A5.115 While not directly comparable to the data illustrated above, data collected via Ofcom's residential tracking survey in 2005 confirms that personal networks are consumers' preferred source of trusted information. This survey asked consumers about each of the telecoms markets individually to establish any differences in preferred sources by market. The internet and suppliers are the second most popular sources with slight differences depending on the market, as summarised in figure A5.21.
- A5.116 In addition to the sources listed in figure A5.20, 1% of consumers stated specific cost comparison websites, and around one in ten in each market mentioned the media including magazines, newspapers, TV and radio. The regulator/government body was only mentioned by a handful of people in each market (less than 1% in each).
- A5.117 13% of consumers stated that they 'would not look for information' about landline phones confirming the lower interest in this market compared to other markets.

Figure A5.21: Sources of trusted advice/information, multi-coded, only mentions over 2% shown in chart therefore totals do not 100%, unprompted

	Landline	Mobile	Internet	TV
Base: All adults				
Personal sources e.g. friends/family/colleague	35%	42%	46%	39%
Supplier sources	19%	18%	13%	14%
Websites/internet	24%	24%	21%	17%
Not look for information	13%	7%	12%	6%
Base: Adults with home internet access				
Personal sources e.g. friends/family/colleague	35%	43%	49%	38%
Supplier sources	21%	21%	17%	16%
Websites/internet	29%	37%	33%	27%
Not look for information	8%	3%	4%	7%
Base: Adults without home internet access				
Personal sources e.g. friends/family/colleague	34%	41%	42%	39%
Supplier sources	17%	14%	7%	12%
Websites/internet	4%	6%	5%	3%
Not look for information	22%	13%	23%	16%

Base: 2241 UK adults, Q2 2005 Ofcom residential tracker, conducted by MORI

A5.118 Consumers with access to the internet at home are unsurprisingly more likely to use this as an information source. Personal networks remained the most popular source amongst non-internet owners, with suppliers in second place.

Information on complaints processes

A5.119 The internet was the top stated source of information for consumers looking for information on the telecoms complaints procedure especially in relation to mobile and internet complaints. Those looking for information on the complaints procedure relating to landlines most often used the telephone bill. This is unsurprising given that billing is responsible for a significant proportion of overall telecoms complaints¹⁰.

A5.120 Most consumers were also unaware that formal complaints procedures exist. 69% of consumers who had made a complaint about the telecoms service were unaware that a complaints procedure existed and a further 3% were unsure, and there is also uncertainty about how to progress a complaint. For further information see Consumer Protection section.

¹⁰ Source: Complaints statistics collected by Ofcom's Contact Centre

Figure A5.22 Preferred sources of information on complaints procedures

Source of information	
Web/Internet	54%
Bill	26%
Advertising e.g. TV/radio/newspapers	16%
Telephone book/Yellow pages	14%
A Phone number	10%
A letter/information from supplier	8%
Citizens Advice Bureau	4%
Library	5%
Directory Enquiries	2%
Other	21%
Don't know	3%

Base: 93 residential consumers that made a complaint, Q4 2004, ad hoc survey conducted by Continental Research

Directory enquiries

- A5.121 Research conducted during 2004 identified some demand for comparable pricing information on directory enquiries services. A fifth of consumers said they had looked or would look in the phone book for information about any of the new DQ numbers. The internet, Yellow Pages and television advertising were the only other major sources of information about DQ, all three mentioned by around one in ten.
- A5.122 The phone book is the preferred source for this type of information (34%). The internet would be used by a quarter, while a leaflet, either generally or with a phone bill would be appreciated by a fifth. Ofcom, ICSTIS or the Regulator were mentioned by 2%.
- A5.123 Users or potential users of price comparison information for DQ tend to be younger and AB social grades.

5. Case study: the impact of consumer information on awareness – introduction of the (020) 3 sub range in London

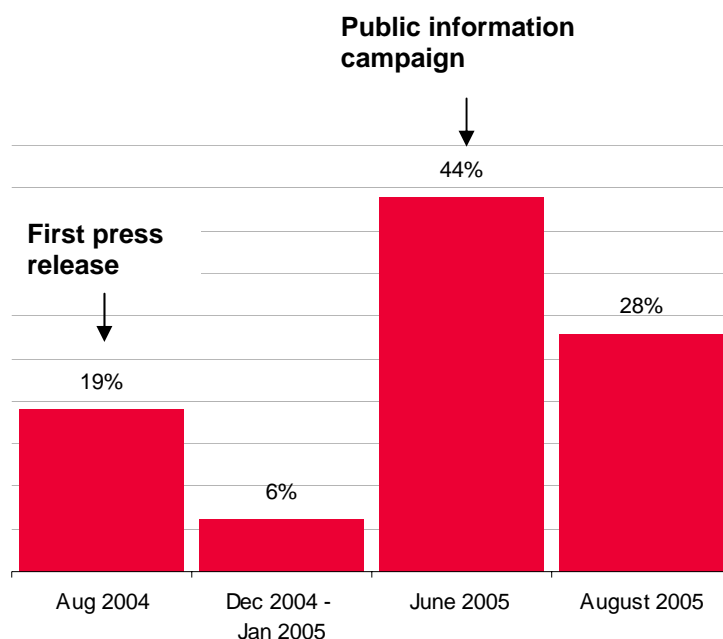
- A5.124 The following information has been taken from a full report assessing the level of public knowledge regarding London dialling codes. The research tracked awareness and perceptions towards (020) 3 numbers during and after a public information campaign run by Ofcom. The full report is available on Ofcom's website
<http://www.ofcom.org.uk/telecoms/ioi/numbers/lonareacod/>
- A5.125 This research has been used in this document to illustrate the impact of consumer information in raising awareness.

Levels of awareness

- A5.126 In August 2005, 28% of adults living in the Greater London area were aware that new telephone numbers beginning with (020) 3 would be introduced in London.

A5.127 Claimed awareness of (020) 3 appears to be strongly correlated to media activity and 'message retention' appears to be improving over time (Fig a). The highest level of awareness, seen in June 2005, is likely to have been driven by Ofcom's public awareness campaign. This has subsequently dropped to 28% in August 2005 as media coverage and advertising has subsided. Nationwide, 20% of adults claim to be aware of the (020) 3 sub-range.

Figure a: Awareness of the introduction of (020) 3 sub-range (prompted)

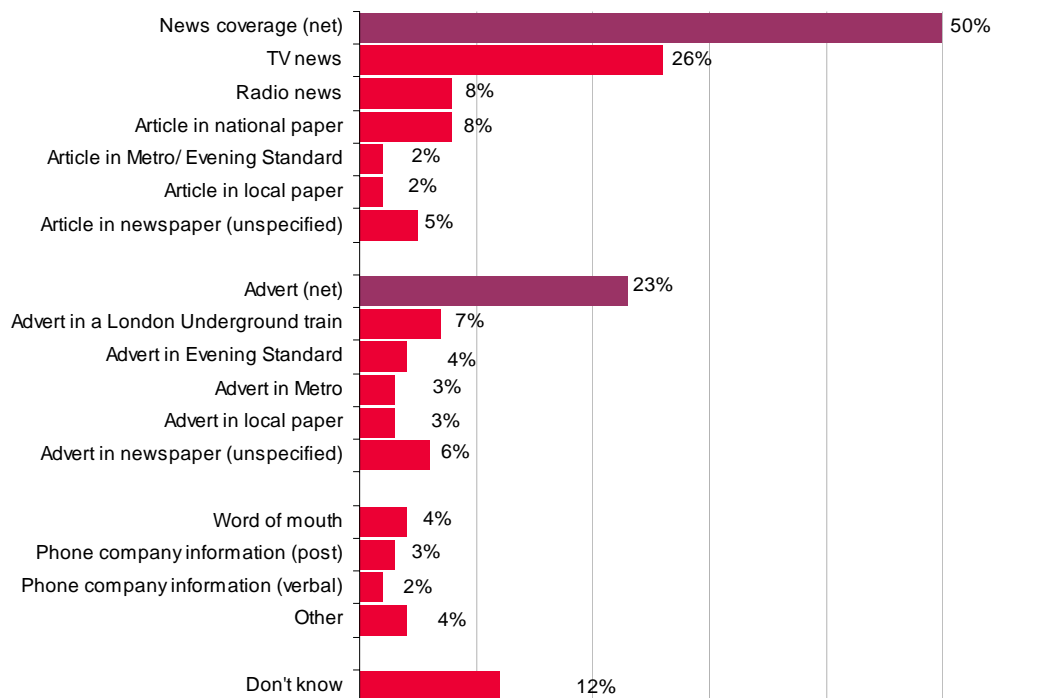


Base: 1005 adults living in Greater London, August 2005

Sources of awareness of (020) 3

A5.128 Half of those who were aware of (020) 3 said that some form of news coverage was one source of their knowledge, and 26% of these mentioned TV news (Fig b). A quarter (23%) claimed to have seen an advertisement – either in a newspaper or on a London Underground train.

A5.129 The number of consumers unable to specify the source of their awareness has risen since June 2005 to 12%, which is consistent with the fall in awareness over the same period.

Figure b: Source of awareness of (020) 3 (Prompted)

Base: 271 adults aged 16+ living in the Greater London area who are aware of (020) 3, August 2005

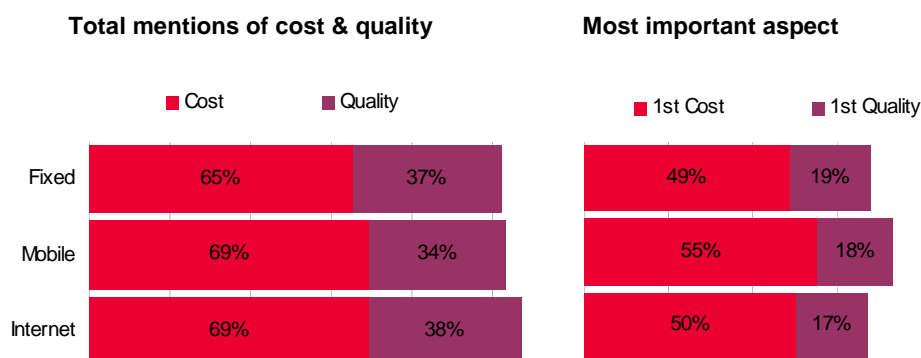
A5.130 TV news was also the top claimed source of awareness of 020 (3) across the UK, mentioned by 31% of those aware. National newspaper articles was the next most mentioned source of awareness for this group.

6. Consumer switching behaviour

Drivers to switching in telecoms

A5.131 Data collected for Ofcom's Strategic Review of Telecommunications (TSR) identified that cost is the main stated driver of supplier switching for consumers across telecoms markets. However, this is rarely considered in isolation. A fifth gave quality of service as the key factor in choice of supplier.

Figure A5.23 Importance placed on cost and quality when choosing new supplier



Base: 1586 UK fixed decision makers, 1303 UK mobile decision makers, 715 UK internet decision makers, May-June '04, MORI survey

A5.132 Specifically in the mobile market, the handset influenced consumers' decisions on whether to change network. Around a fifth (22%) of switchers in this market changed for a desired handset, either because it was unavailable on their current network (19%), or because it was available at lower cost on an alternative network (4%).¹¹

Switching landline suppliers¹²

A5.133 A quarter of landline customers have ever changed line supplier for landline phone services and almost a fifth of these (18%) have done so more than once. In addition, around a fifth (22%) of landline customers said they use an indirect supplier for their landline service, taking the total proportion that have ever switched supplier for all or part of their landline service to 39% - 17% have switched line supplier only, 14% have switched calls supplier only and 8% have switched both.

A5.134 Of the 22% of consumers that say they use an indirect supplier, the majority pay this supplier for their calls only (16% of all landline customers). However, the introduction of wholesale line rental (WLR) means that consumers also have the option to pay their indirect supplier for the line rental. Currently 5% of landline customers say they do this.

¹¹ Base: 662 UK mobile customers that ever changed mobile network, Q2 2005, Ofcom tracking study conducted by MORI

¹² Base: 2007 UK landline customers, Q2 2005, Ofcom tracking study conducted by MORI

Figure A5.24 Proportion of residential consumers that have ever switched

Base: 2007 UK landline customers Q2 2005, 1806 UK mobile customers Q2 2005, 1188 UK internet customers Q1 2005, Ofcom tracking studies conducted by MORI.

NOTE: '01 and '02 figures for fixed calls do not include use of CPS. '01 figures for fixed lines are from August '01 and '03 figures are from November '02

Switching mobile suppliers

A5.135 37% of mobile customers have switched network. Most of these (67%) have only switched once, 17% have switched twice and 15% have switched three times or more.

A5.136 Data published in Ofcom's Strategic Review of Telecommunications (TSR) shows that around six in ten mobile customers have never considered changing network (similar to the fixed market) and most said this was due to satisfaction with current offerings. As with the landline market, a minority (5%) cited 'too much hassle' as a barrier. These findings are consistent with the CCP survey data which illustrates that the proportion of 'uninvolved' consumers (see figure A5.26) in the mobile market is the lowest amongst the telecoms markets due to higher levels of switching overall.

Switching ISP

A5.137 Data collected in Q1 2005 suggests that around three in ten (27%) internet customers had changed their ISP while living at the same address at least once, and almost a quarter of these (7% of internet customers in total) had changed their ISP more than once. Data collected in September 2005 suggests that 17% of broadband customers had changed their broadband ISP while remaining at the same address¹³, consistent with the findings from the CCP survey.

A5.138 As for the mobile market around six in ten internet customers have never considered changing their ISP with broadly similar reasons to the other telecoms markets – satisfaction or inertia, again this is consistent with the CCP data shown below.

¹³ 1067 UK adults aged 15+ with landline, Sept 05, ad hoc survey on broadband migration conducted by ICM research

A5.139 Figure A5.25 shows switching rates during mid 2004 amongst the seven consumer segments identified in Ofcom's Strategic Review of Telecommunications (TSR), and illustrates that switching activity is primarily driven by two technology-savvy groups - 'Leading edge' and 'Fully connected' consumers. These two segments are significantly more likely to have switched than the other segments, within each of the major telecom sectors. Further details on these segments can be found in the full consumers research annex to Ofcom's Strategic Review of Telecommunications
http://www.ofcom.org.uk/consult/condocs/telecoms_p2/tsrphase2/AnnexM.pdf.

Figure A5.25 Proportion of residential consumers that have ever switched telecoms supplier by consumer segment

	Total	Segment						
		Leading edge	Fully connected	Main-stream internet users	Market average	Low-spend mobile	Low-spend tech	Not involved
Fixed								
Changed fixed service supplier only	13%	10%	19%	9%	16%	10%	*	8%
Changed calls provider only	15%	25%	19%	16%	11%	19%	*	6%
Changed both line and calls	9%	15%	9%	5%	12%	8%	*	6%
Total switching	38%	51%	48%	31%	40%	37%	*	20%
Mobile phone								
Changed mobile provider	33%	39%	42%	28%	31%	19%	*	*
Internet								
Changed ISP	30%	47%	20%	28%	40%	*	*	*

*base sizes too small to report

Base: 1586 UK fixed decision makers, 1303 UK mobile decision makers, 715 UK internet decision makers, May-June '04, MORI survey

A5.140 The same research, conducted in Q2 2004 and reported in Ofcom's Strategic Review of Telecommunications, identified a significant proportion of consumers in each telecoms market that had not even considered changing supplier. In the landline market this group accounted for 70% of all landline customers. The main reasons given were inertia or satisfaction with current offerings, but around one in ten considered the process to be 'too much hassle', and a similar proportion said there were 'no better choices'.

A5.141 These findings are consistent with data from the CCP survey discussed above. However, it should be noted that the results relating to switching behaviour in this survey are not directly comparable to those collected via Ofcom's tracking study for the following reasons:

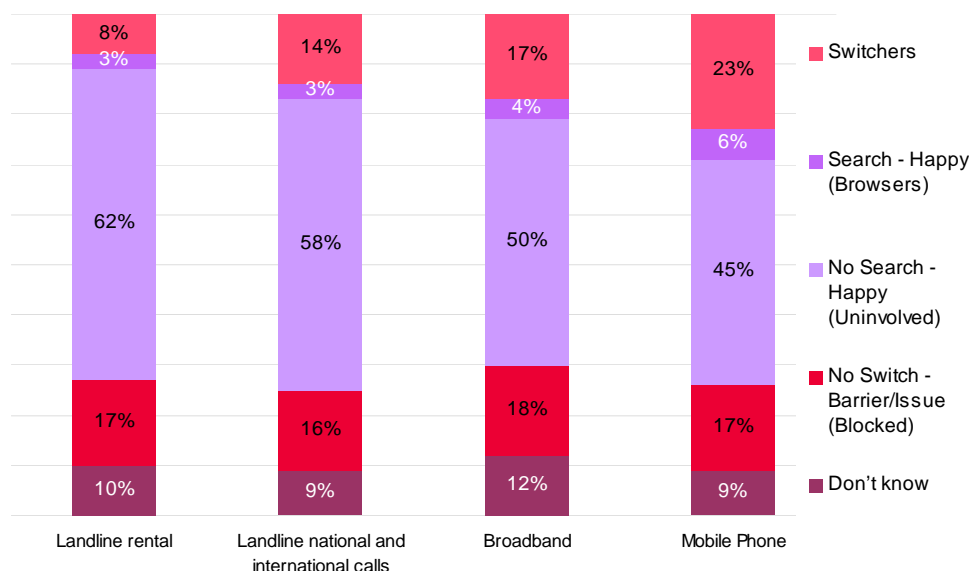
A5.142 The CCP survey:

- focussed on switching behaviour in the last three years – compared to the proportion that have ever switched (illustrated in figure A.24);
- concentrated on switching while remaining at the same address – consistent with the tracking survey except for the mobile market;
- representative of GB adults aged 15+, compared to Ofcom's tracking study which is representative of UK adults aged 15+.

A5.143 However, the survey confirms the finding that a majority of consumers, across telecoms markets, have not tried to calculate the potential savings

that could be achieved by switching supplier, figure A5.26. For the purposes of this report these consumers have been classified as 'uninvolved'.

Figure A5.26 Proportion of consumers that switched, or calculated potential savings by switching



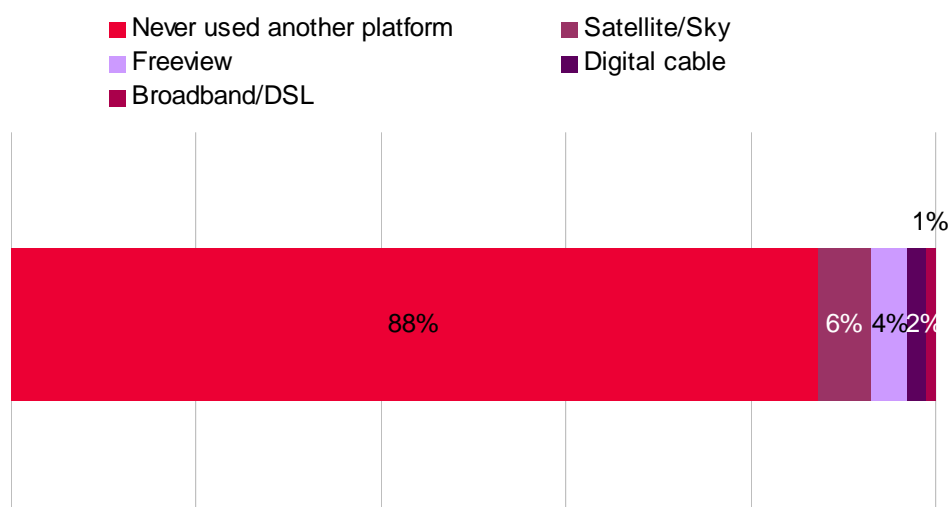
Base: 1404 landline decision-makers, 1307 landline calls decision-makers, 1551 mobile decision-makers, 567 broadband decision-makers, survey conducted by MORI for CCP, Q2 2005

- A5.144 A minority of consumers in each market say they calculated potential savings but did not switch because they were satisfied. These consumers have been classified as 'browsers'.
- A5.145 The CCP survey identified a group of consumers (around a fifth in each of the telecoms markets) that said they had been prevented from switching. These consumers have been classified as 'blocked'. *It should be noted that the proportion of consumers that fall into the 'no switch – barrier/issue' group is a worst case scenario in that some responses which have been deemed an 'issue' may not be a barrier e.g. 'my current supplier will match good deals on the market', therefore being 'blocked' does not necessarily equate to being negative to the consumer..*
- A5.146 Some consumers in this group have calculated potential savings, others have not. They tend to be aged between 25-34, from social class C1 and in full time employment. Further analysis of this group is limited by sample size.

Switching between digital/multi-channel TV platforms

- A5.147 The majority (88%) of multi-channel TV customers have never used another platform while living at their current address, as shown in figure A5.27. This is not surprising given the competitive limits in this market prior to the introduction of Freeview and HomeChoice. There are no significant differences in switching levels according to the platform currently being used – each stands at around one in ten.

Figure A5.27 Which platform previously used if at all



Base: 1379 multi-channel homes, ad hoc survey on switching in broadcasting conducted by ICM Research, Sept 23-29

A5.148 Of the 12% that have used another platform, a quarter (26%) made this change in the last 12 months (this equates to 3% of all multi-channel homes). 16% of multi-channel homes began using another platform 1-2 years ago and half (51%) did so more than 2 years ago. The remainder were unsure.

Reasons for changing platform

A5.149 The main reasons for changing platform were:

- Poor quality service (20%)
- Cheaper deal available with another supplier (17%)
- More channels available with other methods (14%)
- Easier to use service with other supplier (11%)
- Poor customer service (10%)

A5.150 Other reasons given included; limited TV viewing and general mentions that the previous service was too expensive. A quarter of switchers were unable to say why they stopped using their previous platform.

A5.151 Reasons given did not vary significantly according to the last platform used. Base sizes for each platform are small and further analysis is not possible.

Expected savings from switching supplier

A5.152 In research conducted for the TSR, many consumers said they required significant savings in order to switch, particularly in the fixed line market. However, most were not prepared to spend more than half an hour searching for information to achieve these savings.

A5.153 Consumers appear to be willing to spend most time searching for a better broadband deal (average two hours) compared to the half an hour they are prepared to spend in the fixed, mobile or narrowband internet markets.

A5.154 The CCP data also included information on consumers' attitudes to switching in terms of the amount of money they would expect to save and their perceptions on how much they might actually save. Consistent with research published in Ofcom's TSR, consumers say they require significant monthly savings on most services to encourage them to switch, see figure A5.28.

A5.155 Consumers say they would search for an alternative supplier if they could achieve monthly savings of £5-£10 depending on the telecoms service. However, the perception is that this level of savings is not achievable across telecoms markets, which could explain why only a minority of consumers have searched for, and calculated, savings. Prices may need to fall before people will be induced to search for price reasons alone.

Figure A5.28 Estimated Savings, required savings to search, and average monthly spend

Median Score (£)	Mobile Phone	Landline Rental	Landline national and international calls	Broadband
How much potential savings pm would tempt you to search for a new supplier?	£10	£6	£5	£5
How much is the most you could save per month from shopping about?	£5	£5	£5	£5
Approximately, how much do you pay on average?	£20	£15	£10	£18

Base: 1404 landline decision-makers, 1307 landline calls decision-makers, 1551 mobile decision-makers, 567 broadband decision-makers, survey conducted by MORI for CCP, Q2 2005

A5.156 The CCP data also shows that the amount of time consumers actually spend searching for information is around 30 minutes, rising to an average of 2 hours for broadband and mobile, see figure A5.29. The table below compares consumers' perceptions of how much of their personal time it would take to search for information and to switch supplier with their switching behaviour.

A5.157 From the table below it can be seen that the differences between those who search and those that do not - in terms of actual and perceived time spent searching - are relatively small. However perceptions do differ from actual switching behaviour in two areas:

- People who do not search for information tend to overestimate the time it takes to search for fixed telephone offers (2 hours compared to 30 minutes); and
- People who search but do not switch appear to underestimate the time it takes to search for information on alternative broadband and mobile offers.

A5.158 On average consumers perceive it to take around half an hour of their own time to switch supplier for any of the four telecoms markets. This corresponds with the actual experience of switchers.

Figure A5.29 Comparison of actual and perceived search and switch times according to switching behaviour based on median scores

Telecoms Market	Switchers (Bases: 370 mobile, 121 landline rental, 172 landline calls, 90 broadband)		Adults that searched and switched (Bases: 273 mobile, 84 landline rental, 114 landline calls, 75 broadband)			Adults that searched, but did not switch (Bases: 134 mobile, 77 landline rental, 71 landline calls, 52 broadband)		Adults that did not search or switch (Bases: 1014 mobile, 858 landline rental, 1002 landline calls, 1625 broadband)	
	Actual time spent searching for savings versus expectation					Perceptions of search and switching time			
	Time spent searching	Actual time to switch	Less than expected	As expected	More than expected	Time spent searching	Perceived switching time	Perceived search time	Perceived switching time
Mobile	2	0.5	13%	70%	14%	0.5	0.5	2	0.5
*Landline Rental	0.5	0.5	21%	60%	16%	0.5	0.5	2	0.5
*Landline calls	0.5	0.5	15%	70%	10%	0.5	0.5	2	0.5
*Broadband	2	0.5	14%	66%	17%	0.5	0.5	2	0.5

** base sizes in this market less than 100 (see above) so treat these results as indicative only*

Consumer attitudes post-switch

A5.159 In total, around two in five switchers in each of the telecoms markets said they had checked to see whether they had achieved the savings they thought they would make. Most of those that did said they had achieved their expected savings – between 62% and 72% across markets. In fact, around a fifth in each market said they had saved more than they had expected. However, a minority in each market made savings that were lower than anticipated. *This data is based on small sample sizes so treat these results as indicative only.*

A5.160 The majority of switchers across telecoms markets were satisfied with their decision – 93% in the mobile and landline markets and 94% for broadband.

Barriers to switching in telecoms

Perceived ease of switching

A5.161 Consumers' perception of how easy it is to switch supplier is a potential barrier. While the majority of consumers, including those that have not switched supplier consider the process to be 'easy' however, amongst non-switchers around a fifth of consumers in each market were unsure how easy

it would be to switch. These perceptions may be limiting use of alternatives across markets.

A5.162 Perceived difficulty with the process was only slightly higher amongst non-switchers in the landline and mobile markets than amongst those who had actually changed supplier.

A5.163 However, non-switchers were more uncertain about the difficulties they might face which could be a potential barrier. Around one fifth of non-switchers in each market were unsure how easy it would be to switch supplier.

Figure A5.30: Actual and perceived ease of switching supplier

	Landline		Mobile		Internet	
	Ever switched	Never switched	Ever switched	Never switched	Ever switched	Never switched
Very easy	62%	23%	65%	38%	44%	25%
Fairly easy	30%	40%	28%	36%	36%	42%
Fairly difficult	2%	9%	3%	6%	11%	11%
Very difficult	2%	6%	2%	3%	5%	4%
Don't know	4%	22%	1%	17%	3%	16%

Base: 2007 UK landline customers Q2 2005, 1806 UK mobile customers Q2 2005, 1188 UK internet customers Q1 2005, Ofcom tracking studies conducted by MORI

A5.164 Generally, across markets perceptions of difficulty were highest amongst younger consumers (15-24), higher income groups and higher social grades. Older consumers and lower income groups were significantly more uncertain about ease or difficulty of switching.

Number portability in landline market¹⁴

A5.165 The ability to take your number with you when switching supplier (number portability) is available in both the landline and mobile markets. For landlines this is limited to a switch while remaining at the same address.

A5.166 In February 2004 two-thirds of adults were aware of the ability to retain their landline number if they changed suppliers while remaining at the same address. Recent data from Q2 2005 shows that fewer consumers changed their number when switching landline, compared to data from February 04 (31% and 42% of switchers respectively), indicating a rise in awareness. However, a fifth of landline switchers specified that they had wanted a new number.

A5.167 The main reasons for changing landline number are (as previously):

- 'new supplier advised they had to have a new number'
- 'advised by old supplier that they could not take their number with them'
- 'unaware'

¹⁴ Base: 662 UK mobile switchers, 509 UK landline switchers, Q2 2005, Ofcom tracking study conducted by MORI

- A5.168 In total, a quarter of switchers changed their number due to lack of awareness or incorrect advice from suppliers. *These findings are based on a small sample so should be treated as indicative only.*

Number portability in mobile market¹⁵

- A5.169 In February 2004, half of mobile customers were aware of the ability to retain their mobile number when changing supplier. Consistent with this lower awareness compared to landline customers, higher proportions of mobile switchers changed their mobile number, (78%), which is little changed from February 03 (83%). Fewer had done so by choice (1 in 10), compared to the landline market.
- A5.170 Lack of awareness was the main reason for taking a new mobile number, although there was some evidence of incorrect advice being given by suppliers. In fact, 4% of mobile customers said they had not switched mobile network because they thought they would have to change their number. *These findings are based on a small sample so should be treated as indicative only.*

¹⁵ Base: 662 UK mobile switchers, 509 UK landline switchers, Q2 2005, Ofcom tracking study conducted by MORI

Section 5

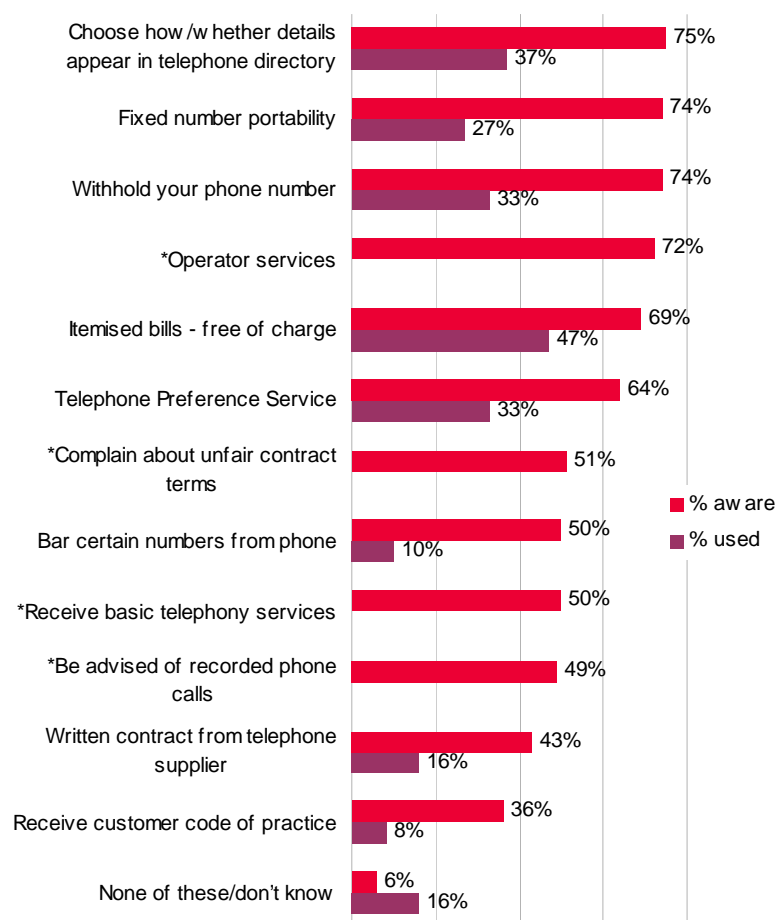
Consumer Protection

1. Rights and options in telecoms

Awareness of options

- A5.171 Consumers have a number of rights and options related to their use of telecoms services, and they are entitled to specific information in the landline market. Figure A5.31 summarises consumers' awareness and use of these rights and opportunities.
- A5.172 The majority (94%) are aware (on prompting) of at least one of the options available to them discussed in the research. Consumers are least familiar with:
- codes of practice (36%)
 - the ability to receive a written contract from their supplier (43%).
- A5.173 Awareness of most options remains broadly similar to a survey conducted in 2000, but there has been a notable improvement in awareness of the Telephone Preference Service (rising from 43% to 64%) and to a lesser extent for fixed number portability (67% to 74%). Awareness has fallen for rights for:
- complaints relating to unfair contracts,
 - codes of practice
 - receiving written contracts
- A5.174 Awareness of rights and opportunities is generally lowest amongst the youngest age group (15-24), those with an average annual income of less than £11.5K and those not working. Consumers aged 55+ are least aware of the option to receive a written contract.

Figure A5.31 Consumer awareness of rights and opportunities in landline market, prompted



* use of this option was not asked in the survey

Base: 1640 telecoms decision makers, study commissioned by Ofcom, conducted by MORI omnibus, 22-26 September 2005

Current and future use

A5.175 Reported use of each of the options is significantly lower than awareness. With the exception of itemised billing (generally provided as standard by most suppliers¹⁶) use is at best 50% lower than awareness.

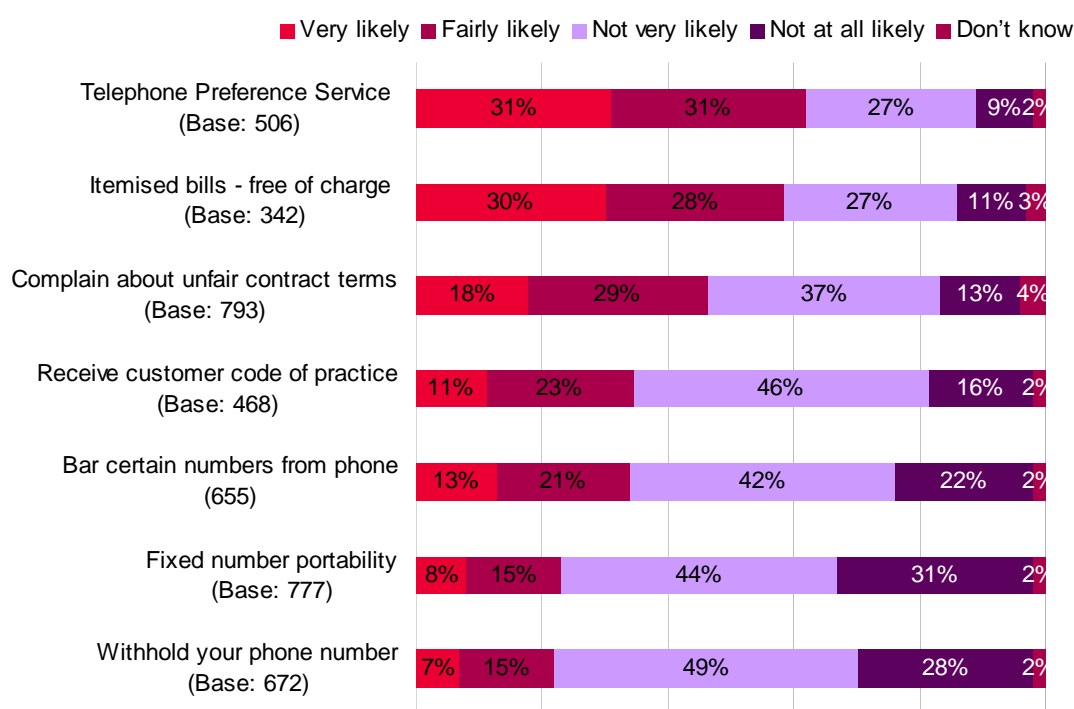
A5.176 Use of the Telephone Preference Service (TPS) has increased significantly over the past five years. In 2000, 8% of consumers said they were registered with this service, rising to 33% in 2005. Use of fixed portability has also more than doubled from 11% to 27%¹⁷.

¹⁶ 6% of these consumers receiving itemised bills say they were charged for their itemised bill. It is likely therefore that this group requested a full breakdown of all calls (fully itemised) for which some suppliers make an additional charge.

¹⁷ Further information on use of switching and fixed portability is covered above and these figures are broadly consistent with those produced from Ofcom's tracking study.

- A5.177 At the other end of the scale, and consistent with lower levels of awareness, few consumers (8%) in comparison to other options, have requested a code of practice.
- A5.178 We asked consumers who had not previously used each option how likely they were to in the future. Most interest was shown for registering with the Telephone Preference Service (62% of those not previously registered), and requesting itemised bills (59%). Significant proportions say they would make a complaint if they feel their contract terms are unfair (46%), and around a third (35%) say they are likely to request their code of practice.
- A5.179 Claimed future use of most options is highest amongst younger consumers aged 15-34. Demographics of other potential users vary according to the right or opportunity.
- A5.180 Lower income households (below £17.5K) show most interest in withholding numbers, call barring, written contract requests and complaining about unfair contract terms. In comparison, higher income groups say they are more likely to use itemising billing and register with the TPS in the future.
- A5.181 Respondents with children in the household are also significantly more likely to say they will register with TPS in future compared to average (68%).
- A5.182 It is difficult to use this information to predict actual future use, as it is not possible to say what proportion of consumers will actually follow through with their intentions. Circumstantial opportunities such as number portability and complaints about contract terms are even more difficult to predict. Estimates should therefore be treated with caution.

Figure A5.32 Potential future use of rights/opportunities



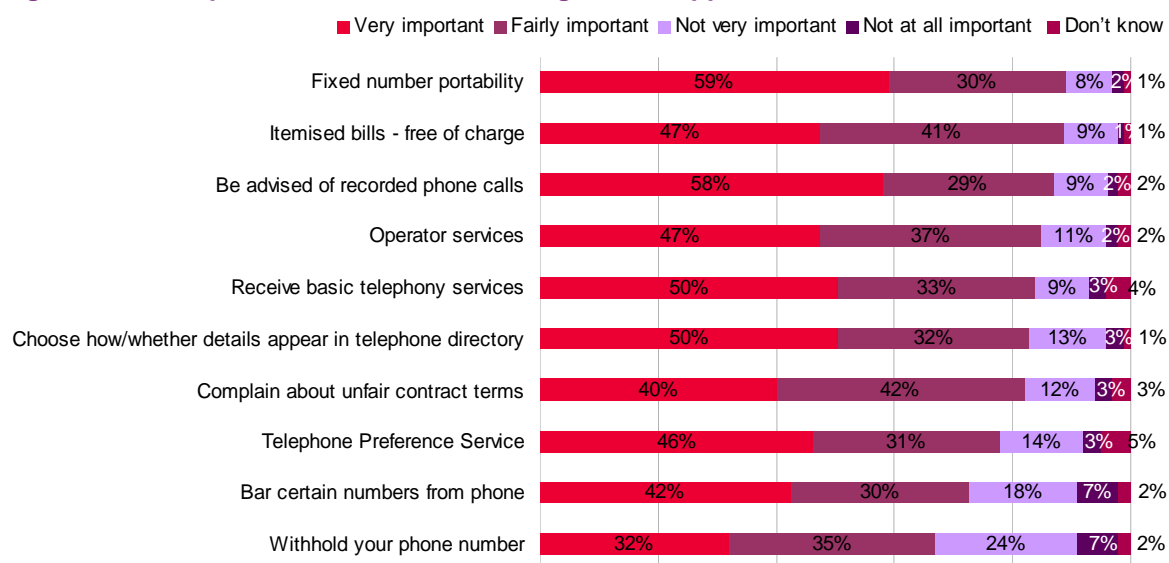
Consumer perceptions of the importance of awareness

A5.183 We asked consumers how important they thought it was for them personally to know about the rights and opportunities available to them.

A5.184 Overall all of the rights are considered as important to know by at least two-thirds of consumers, as shown in figure A5.34.

A5.185 Awareness is in most cases significantly lower than the perception that the right or opportunity is important to know about.

Figure A5.33: Importance of awareness of rights and opportunities



Base: 1640 telecoms decision makers, study commissioned by Ofcom, conducted by MORI, 22-26 September 2005

2. Awareness and use of telecoms complaints processes¹⁸

- A5.186 There is a complaints procedure (Approved Dispute Resolution (ADR) scheme) in place to assist and protect consumers with complaints about their telecoms services or suppliers, but research suggests there is relatively low awareness of it. Around 7 in 10 consumers who had made a complaint said they were generally unaware that a formal complaints procedure exists. A further 3% were unsure.
- A5.187 Consumers instinctively contact their supplier in the first instance when they want to lodge a complaint, but evidence suggests that they are not being informed about the scheme. Few respondents spontaneously mention any details of the scheme being given to them at this stage and, of the respondents who took their issue to a higher level, most said they progressed it using their own initiative, most commonly to Ofcom.
- A5.188 There is also evidence that consumers who did use the scheme (NB small base) found it unclear, figure A5.34. Nearly a third of complainants (31%) said the process was either very (23%) or fairly (8%) unclear. It is likely that respondents are talking in general terms about making a complaint rather than being familiar with and clear about the ADR processes.
- A5.189 For consumers still in the process of complaining, the proportion saying the process is unclear rises to almost half.

Figure A5.34 Consumer opinion on clarity of complaints procedure

	All (Base 118)	Complaint resolved (Base 44)	Complaint ongoing (Base 42)	Complaint discontinued (Base 13)
Very clear	27%	41%	12%	2
Fairly clear	32%	36%	29%	3
Neither/Nor	9%	5%	12%	3
Fairly unclear	8%	5%	12%	2
Very unclear	23%	13%	36%	3

- A5.190 Those found the procedure unclear cited lack of information, unclear processes, inefficient processes, and criticism of their supplier's complaint handling. This latter point is consistent with the relatively low levels of satisfaction expressed with the advice provided by suppliers.
- A5.191 Consumers were also asked about their satisfaction with the response from Ofcom's complaints handling. Overall satisfaction with this aspect was lower however, a number of factors, including unwanted outcomes, influenced this result. Reassurance was identified as the key driver of increased satisfaction with this element of the complaints handling process.

¹⁸ Base: 92 UK adults with landline that made a complaint, study commissioned by Ofcom, conducted by Continental Research, Q4 2004

Section 6

Methodologies and Sample Sizes

Outlined below are details of the various sources of data contained in this report.

Ofcom's Residential Communications Tracking studies – Q1 and Q2 2005

A continuous face to face survey conducted by MORI, with monthly interviewing of a representative sample of around 700 UK adults aged 15+ each month, reflecting the UK profile of sex, age, social grade, region and employment status, cabled/non cabled areas, rural/urban areas, and levels of deprivation. A total sample of 2,217 was achieved in Q1 and 2,241 in Q2 2005. Data has also been weighted to ensure the sample is representative of the UK adult population.

Survey conducted for the Centre for Competition Policy at the University of East Anglia (CCP) on consumer switching behaviour – Q2 2005

A face to face survey conducted by MORI, interviewing a representative sample of around 2027 GB adults aged 15+ reflecting the GB profile of sex, age, social grade, region and employment status. Data has also been weighted to ensure the sample is representative of the GB adult population.

Ofcom's Strategic Review of Telecommunications – May-June 04

Conducted via Ofcom's 2004 tracking survey conducted by MORI, interviewing a representative sample of 2131 UK adults aged 15+ each month, reflecting the UK profile of sex, age, social grade, region and employment status, cabled/non cabled areas, rural/urban areas, and levels of deprivation. Data has also been weighted to ensure the sample is representative of the UK adult population.

Ofcom's Consumer Panel survey – October 2004

A face to face survey conducted by saville rossiter-base, interviewing a representative sample of around 2519 UK adults aged 16+. Quotas were set to achieve a minimum number of interviews with residential consumers in each of the following groups: people aged 65+, rural areas, dense urban areas, people with a disability, household income of less than £11.5K, ethnic minority groups. UK data has also been weighted to ensure the sample is representative of the UK adult population and data reported on a national basis has been weighted to match the profile for each of the four nations as detailed in the 2001 Census.

Directory enquiries consumer survey – November 2004

A face to face survey conducted by MORI, interviewing a representative sample of around 2027 UK adults aged 16+ reflecting the UK profile of sex, age, social grade, region and employment status. Data has also been weighted to ensure the sample is representative of the UK adult population.

Ofcom's review of Approved Dispute Resolution schemes – March to April 2004

An ad hoc telephone survey of 93 UK adults that contacted Ofcom with a telecoms complaint.

London Numbering Survey – June 2005

An ad hoc telephone survey conducted by ICM amongst a representative sample of 1039 adults living in Greater London with a fixed line phone reflecting the profile of adults in this regions in terms of their sex, age, region and housing tenure. Data has been weighted to ensure the sample is representative of these adults.

Switching in Broadcasting – September 2005

An ad hoc telephone survey conducted by ICM amongst a representative sample of 2110 UK adults aged 18+ with a fixed line phone reflecting the profile of adults in terms of their sex, age, region and housing tenure. Data has been weighted to ensure the sample is representative of UK adults.

Rights and Opportunities – September 2005

An ad hoc face to face survey conducted by MORI amongst a representative sample of 2127 UK adults aged 16+ with a fixed line phone reflecting the profile of UK adults in terms of their sex, age, region and housing tenure. Data has been weighted to ensure the sample is representative of UK adults.

Broadband Migration – October 2005

An ad hoc telephone survey conducted by ICM amongst a representative sample of 1067 UK adults aged 16+ with a fixed line phone reflecting the profile of UK adults in terms of their sex, age, region and housing tenure. Data has been weighted to ensure the sample is representative of UK adults.

Awareness of Ofcom – December 2004

An ad hoc face to face survey conducted by IPSOS amongst a representative sample of 1062 UK adults aged 16, reflecting the profile of UK adults in terms of their sex, age, region and housing tenure. Data has been weighted to ensure the sample is representative of UK adults.

Annex 6

SME Consumer Strategy Research

Section 1

Background and Research Objectives

A6.1 Under the Communications Act 2003, it is Ofcom's principal duty, in carrying out its functions –

- to further the interests of citizens in relation to communications matters; and
- to further the interests of consumers in relevant markets, where appropriate by promoting competition.

A6.2 The purpose of this document is to provide evidence to assist Ofcom:

- define and articulate its role in protecting, supporting, and promoting the interests of consumers
- determine its strategy for consumers
- identify key priorities going forward

A6.3 The following markets are included in this research summary:

- Landline
- Mobile
- Internet (broadband and dial-up)

A6.4 The document is structured around three key areas and provides evidence of consumer attitudes and behaviour within each of these:

- **Competition Policy** – take-up of services, use of suppliers and attitudes towards choice;
- **Consumer Empowerment** – attitudes towards choices available, consumer information, switching behaviour; and
- **Consumer Protection** – use and awareness of complaints handling processes.

A6.5 A summary of the data sources referred to within this document can be found in the methodology section at the end of this document.

A6.6 The surveys included in this research document were conducted amongst a representative sample of small and medium enterprises (SMEs) in the UK, reflecting the UK profile in terms of business size, sector and region. As small businesses (1-50 employees) make up around 97% of businesses in the UK, medium businesses (51-250 employees) were over-sampled in the survey to produce a sufficiently robust sample to allow analysis of the results among medium businesses. The combined results were re-weighted to be representative of UK SMEs as a whole (97% small businesses; 3% medium businesses) consequently the results for small businesses closely resemble those for SMEs as a whole.

Section 2

Summary of the Research Findings

1. Competition Policy

Ownership

- A6.7 Medium businesses are more likely to have mobile phones and internet access than small businesses, but no more likely to have broadband. Use of ISDN and leased lines increases with business size.
- A6.8 Mobile phone ownership has declined from 2002 in small businesses, and to a lesser extent in medium businesses. Businesses that have stopped using, or have never used, mobiles mainly say they are irrelevant, or that employees use their own mobile phones.
- A6.9 Almost all medium businesses have internet access, although penetration drops to 8 out of 10 among small businesses. More than 60% of SMEs use broadband, irrespective of size, and a further 15% are likely to migrate in the next 12 months. Use of broadband has increased year on year since 2002, replacing ISDN and PSTN connections. Speed/capacity is the main driver for change.

Use of suppliers

- A6.10 SMEs have a similar choice of fixed line suppliers to residential consumers. BT has the widest geographical coverage and most SMEs use BT for some or all fixed services. However use of BT has been declining over the past 10 years. The majority of SMEs are aware of indirect suppliers and 17% claim to use one of these suppliers. Satisfaction with current supplier is the main reason for not switching.
- A6.11 Businesses are making good use of competition in the ISP market, although BT still has the largest market share at 29%.

Satisfaction with current services

- A6.12 Almost all SMEs are satisfied with the reliability of their fixed line services. They are less satisfied with value for money, which impacts on levels of overall satisfaction.
- A6.13 Most SMEs are also satisfied with their mobile service, although those that have considered switching are less satisfied.
- A6.14 Levels of satisfaction with internet services are also high. SMEs using broadband are consistently more satisfied with overall service and reliability, and with access speeds. Again, those that have considered switching have consistently lower levels of satisfaction.

2. Consumer Empowerment

Information requirements

A6.15 There is a higher demand for comparable information across fixed, mobile or internet services amongst SMEs when they are considering changing supplier, than amongst residential consumers. This suggests a more formal, diagnostic approach to purchasing in comparison to residential consumers. Amongst SMEs and similarly to residential consumers, the most common demand is for cost comparisons. There is also a lower but consistent demand for customer service comparisons and information on customer complaints. The size of the business did not influence SMEs stated use of comparable information.

Aspects influencing choice of supplier

A6.16 Reliability/resilience and customer service, followed by lowest price, are the top stated priorities for medium businesses when choosing a supplier. However, these aspects are rarely considered in isolation. For some, the ability to service various sites or to provide multiple services is of greater importance.

Consumer switching behaviour

A6.17 Overall four in ten SMEs say they had ever switched supplier for fixed line services in November 2004: medium businesses are more likely to switch than small. Most businesses retained some or all of their numbers when switching.

A6.18 A further 14% of SMEs say they have considered switching: medium businesses are more likely to have considered switching than small. Those who have not switched are satisfied with their current supplier, or simply don't see the need to change. 15% thought switching would be too much hassle but, in reality, only 10% of switchers found the process difficult.

A6.19 Just under half of SMEs who use company mobiles have ever changed mobile network, and again medium businesses are more likely to change than small businesses. Three quarters of switchers retained some or all of their mobile numbers.

A6.20 A further 14% of SMEs with mobiles said they had considered switching network, with no difference by business size. Most non switchers said they stayed with their current supplier/s because they were satisfied. About 1 in 10 mentioned the hassle factor, as for other markets, but again most switchers said they found the change-over easy.

A6.21 Around a quarter of SMEs with access to the internet say they have ever changed their ISP with no difference by size of business. A further 13%, mostly small businesses, considered switching, but stayed with the current supplier.

A6.22 Once again satisfaction with the current supplier and lack of need are the main stated reasons for not switching. Most switchers said the change process was not difficult. However, there were indications that switching

supplier for broadband services was more difficult with twice as many saying the switching process was difficult.

3. Consumer Protection

A6.23 A minority of SMEs are aware of the correct procedure to follow with telecoms complaints. Similarly to residential consumers, most SMEs would contact their supplier in the first instance if they had a complaint. Awareness of the Telecoms Ombudsman, or the Code of Practice was lower still.

A6.24 Most decision makers within SMEs say they are aware of Ofcom, and awareness increases with business size. The media is the most frequently mentioned source of information, either the Press, TV or radio.

Section 3

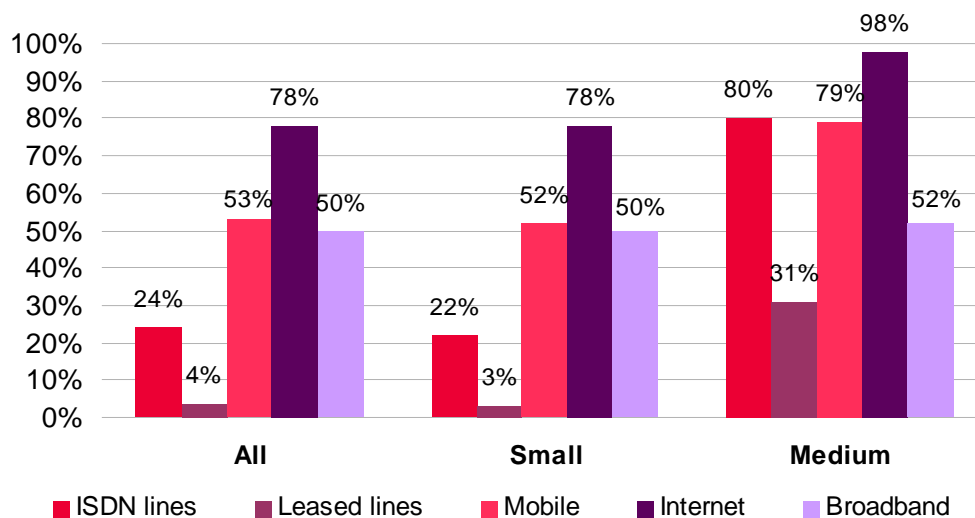
Competition Policy

1. Access and barriers to technology ownership

Trends in ownership of services/devices

A6.25 Medium businesses are significantly more likely to have mobile phones and internet access than small businesses, illustrated in figure A6.1, but they are no more likely to have broadband (52%) than small businesses (50%). However, leased and ISDN lines are more widely used amongst larger businesses, which is likely to reduce the need for broadband services.

Figure A6.1: Proportion of businesses with each service



Base: 903 UK SMEs for mobile, internet and broadband data from Q1 2005, 829 UK SMEs for ISDN and leased lines data from Q3 2004, SME tracker, Continental Research

Fixed services

A6.26 Research conducted during August 2004 illustrates that small businesses have an average of 4 fixed telephone lines, including all lines for voice, fax and data services. The average number of lines rises to 36 amongst medium sized businesses.

A6.27 Around a fifth (22%) of small businesses use ISDN lines, but use is four times higher amongst medium businesses (80%). Most SMEs (59%) tend to use low capacity ISDN lines (up to 2 meg), while a quarter (24%) use high capacity lines, and a minority use both. However, a significant number of telecoms decision-makers don't know the capacity of the lines their business uses.

A6.28 Use of leased lines follows a similar pattern and is concentrated amongst larger SMEs. Around one third (31%) of medium businesses, compared to just 4% of small businesses, say they use leased lines.

A6.29 Just over half (52%) of leased lines users use digital lines (mainly low capacity up to 2 megabits per second), 37% use analogue lines (some businesses use both analogue and digital lines so figures do not total 100%). A further 15% of telecoms decision makers were not sure of the capacity of their leased lines.

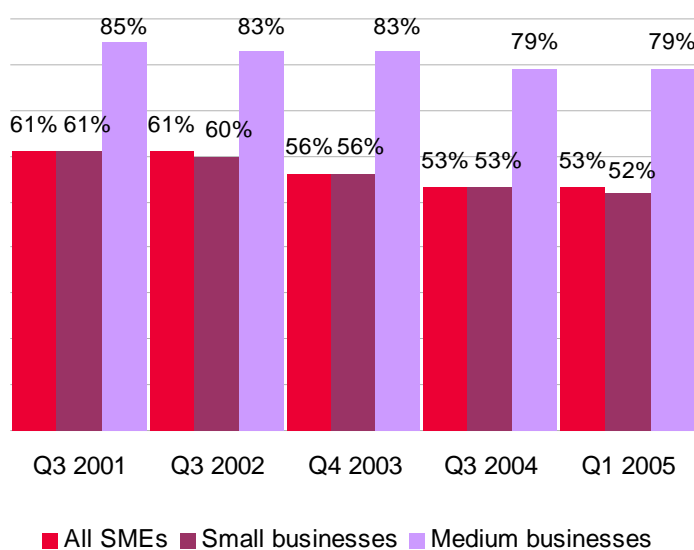
Mobile phones

A6.30 At the beginning of 2005 just over half of SMEs had mobile phones (53%). Penetration rises with business size to around eight in ten amongst medium sized businesses (79%). One in ten SMEs use multiple networks for mobile services, and this is consistent across all businesses, regardless of size.

A6.31 Data from August 2004 suggests that on average small businesses (1-50 employees) own 4-5 mobile phones while medium businesses (51-250 employees) own on average 31 mobiles.

A6.32 Between 2002 and 2005 mobile phone ownership amongst small businesses fell 8 percentage points. Ownership also fell amongst medium businesses, but to a lesser extent, as illustrated in figure A6.2.

Figure A6.2: Trend in mobile penetration by business size



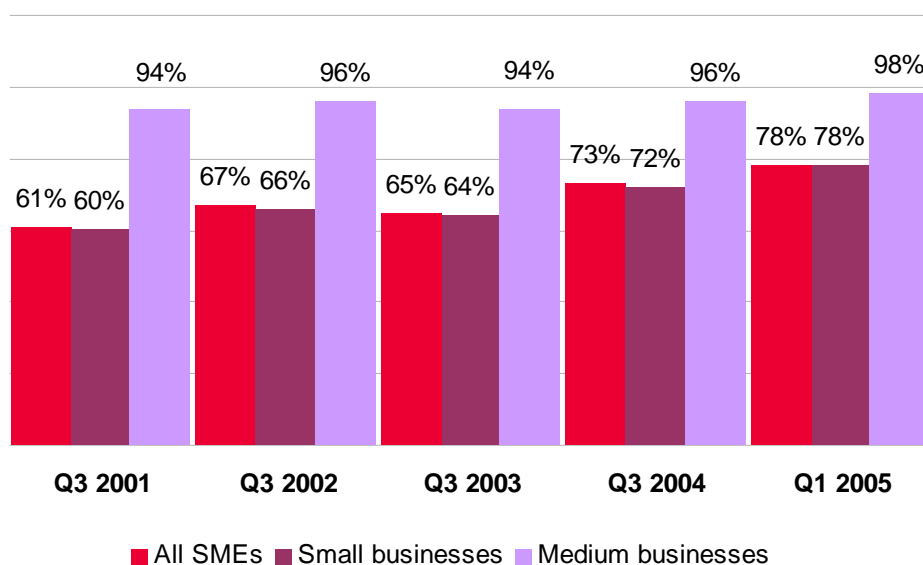
Base: 903 UK SMEs, Ofcom's SME tracking study, Q1 2005

- A6.33 Amongst the one in ten businesses that stopped using mobiles, 44% said that they were no longer relevant for their business, and a fifth (20%) cited cost reasons. Around one in ten (13%) said their employees now use their own mobiles when necessary. *These findings are based on 41 businesses during November 2004 and should be treated as indicative only given the small sample size..*
- A6.34 In the same period around two in five SMEs had never owned any mobile phones, mainly citing irrelevance (64%). In a quarter of these businesses employees use their own mobiles, and this, when combined with the proportion of businesses that stopped using mobiles for the same reason, equates to 10% of SMEs.
- A6.35 SMEs continue to prefer Orange (32%), Vodafone (32%) and O2 (26%) networks over T-mobile (9%) or other service providers. During August 2004 one in ten SMEs said they were connected to a 3G network. Small businesses (13%) were twice as likely to say they used 3G than medium businesses (7%).
- A6.36 Contract phones are most popular, used by over eight in ten SMEs with mobile phones. All-in-one packages (line rental paid in advance with monthly bills for calls) were more popular amongst SMEs (11%) than pre-pay packages (7%).

Internet access

- A6.37 78% of SMEs currently have internet access, figure A6.3. Penetration increases with business size to 98% amongst medium sized businesses (51-250 employees). Take-up amongst small businesses rose significantly between 2003 and 2004, and has continued to increase into 2005.
- A6.38 However, a minority continue to resist the internet. In Q3, 2004 a fifth of SMEs said they were unlikely to get internet access in the next 12 months and in fact 7% said they were certain not to.

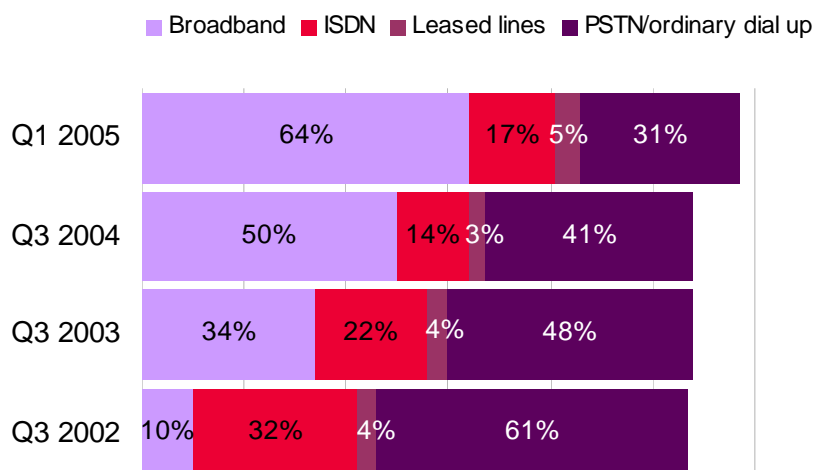
Figure A6.3: Trend in internet penetration by business size



Base: 903 UK SMEs, SME tracker, Continental Research, Q1 2005

A6.39 As illustrated below, use of broadband amongst SMEs has increased significantly year on year replacing both ISDN and PSTN connections. Broadband has been more commonly used than PSTN since August 2004, and by Q1 2005, twice as many SMEs used broadband as used PSTN.

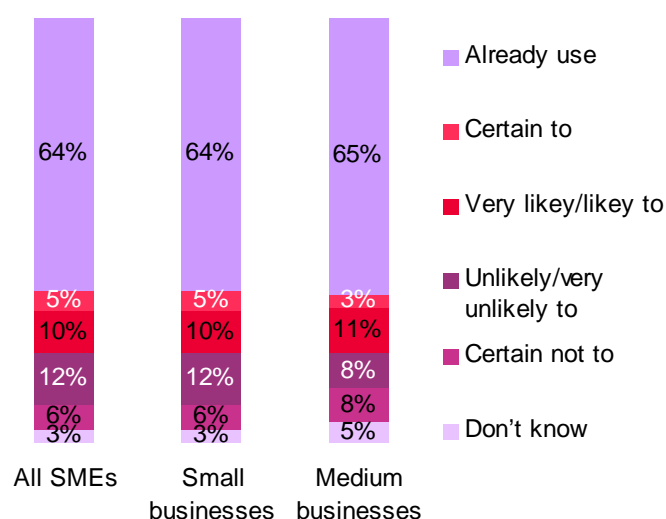
Figure A6.4: Trend in internet connection method



Base: 707 UK SMEs with internet access, Ofcom's SME tracker, Continental Research, Q1 2005

A6.40 15% of SMEs with internet say they are likely to upgrade their current connection to broadband in the next 12 months (figure A6.5), with no significant difference between small and medium businesses in propensity to migrate.

Figure A6.5: Current and likely use of broadband in next 12 months



Base: 707 UK SMEs with internet access, Ofcom's SME tracker, Continental Research, Q1 2005

A6.41 The main stated driver for using of broadband (in August 2004) was faster speed/greater capacity (63%). Other reasons included 'cost savings/cheaper'

(16%), 'business online needs e.g. web-based companies/have an online shop' (6%), 'convenience/ease of use' (6%) and 'reliability' (5%).

A6.42 Other drivers, mentioned by less than 4% each, included 'continuous access to email', 'access to wider content' and 'permanent connection'.

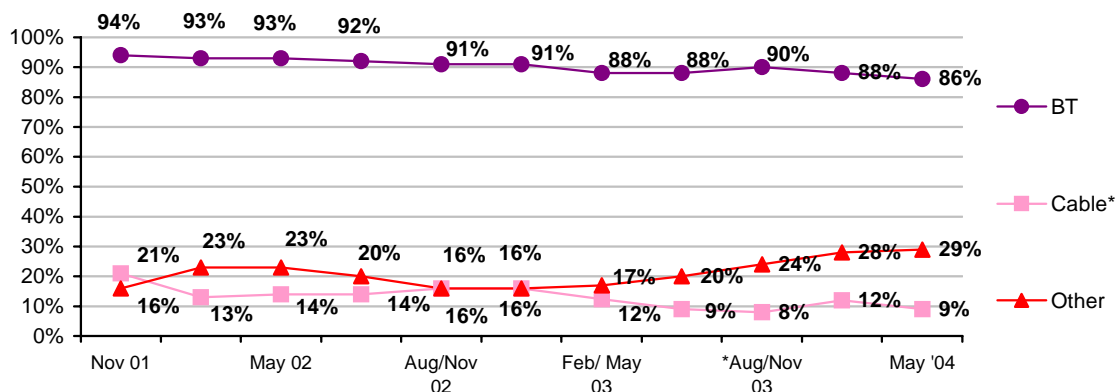
2. Use of suppliers

Fixed telecoms suppliers

A6.43 The choice of fixed line suppliers available to SMEs is fairly similar to the choice available to residential customers, especially for sole traders and smaller businesses. Some suppliers are increasingly targeting businesses, especially larger SMEs that are seen as potentially higher value customers.

A6.44 Currently, BT is the fixed line supplier with the widest geographic coverage for businesses of all sizes. Overall, 86% of SMEs and 73% of sole traders use BT for some or all of their fixed telecoms services. At the same time, SMEs' use of BT has been declining since November 2001, which is consistent with the decline in use of BT business lines, tracked over the last 10 years by Ofcom's market intelligence data.

Figure A6.6: UK SME use of fixed telecoms suppliers



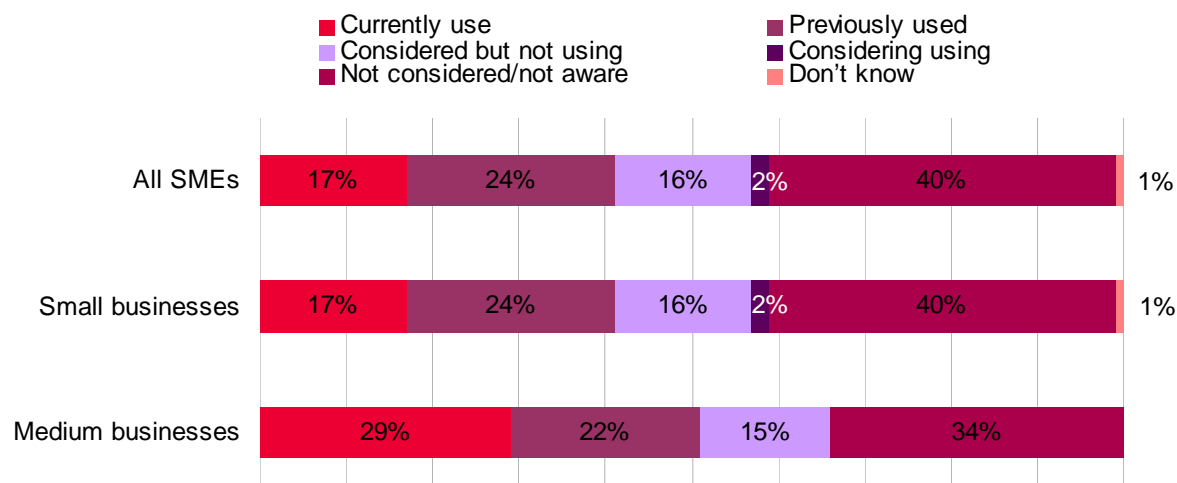
* Cable & Wireless included in 'other' from Aug/ Nov' 03 onwards – all previous surveys Cable & Wireless was classified as 'cable'

Base: 926 UK SMEs, Ofcom's SME tracker, Continental Research survey, May-June '04,

Awareness and use of indirect suppliers

A6.45 During Q2 2005 84% of telecoms decision-makers were aware of indirect access suppliers, with no differences by business size. In total, 17% claim to currently use one of these suppliers and a further 24% said they had previously done so. Figure A6.7 illustrates SMEs' use of indirect suppliers.

A6.46 Medium businesses are significantly more likely to use indirect suppliers for calls from fixed lines than small businesses (29% compared to 17%).

Figure A6.7: Use of indirect suppliers amongst UK SMEs

Base: 893 UK SMEs, Ofcom's SME tracker, Continental Research, Q2 2005

A6.47 Similar to residential consumers, SMEs not currently using an indirect supplier mainly say this is due to satisfaction with their current supplier (34%). However, 15% thought they would either achieve insufficient savings or poor value for money. One in ten (11%) said it would be too much hassle to dial a short code before every call.

A6.48 Nearly two-thirds of SMEs (63%) say they are aware of wholesale line rental (WLR) – the ability to purchase full telecoms services (line and calls) from suppliers other than BT and cable companies for example, with no differences according to business size. However, there may be an element of over-claim. A similar proportion of residential consumers also claim to be aware of this option.

SMEs use of ISPs

A6.49 Three-quarters of SMEs use a single ISP, just over one in ten (12%) use two and 5% use three or more. Larger SMEs are more likely to use multiple ISPs (27%) compared to small businesses (16%).

A6.50 Businesses make good use of competition in the ISP market, although BT continues to hold the largest share (29%). Use of BT is broadly consistent across businesses in terms of size. Medium businesses are more likely to use ISPs targeted specifically at business users, such as Demon (9%) and Star (4%), than small businesses – who alongside Sole Traders behave make similar choices to residential consumers.

Figure A6.8: Main ISP used by business size

	All SMEs with internet (Base: 707)	Small businesses with internet (Base: 486)	Medium businesses with internet (Base: 324)
BT	29%	29%	23%
AOL	8%	8%	-
Freeserve	5%	5%	-
Demon	4%	4%	9%
Tiscali	4%	4%	-
Star	-	-	4%
*Other	40%	40%	47%
Don't know	10%	10%	17%

* mentioned by 3% or less of SMEs with internet

Source: Ofcom's SME tracking study, SMEs with internet, Q1 2005

A6.51 The broadband SME market is broadly similar as illustrated in figure A6.9. BT is the largest provider of broadband services to SMEs with 24% of those with broadband using BT for at least part of this service, AOL is the second largest at 7% with the remaining share of the market spread among a multitude of providers.

Figure A6.9: Main broadband ISP used by business size

	All SMEs with broadband (Base: 543)	Small businesses with broadband (Base: 334)	Medium businesses with broadband (Base: 209)
BT	24%	24%	27%
AOL	7%	7%	-
Demon	5%	4%	11%
Freeserve	4%	4%	-
Zen	-	4%	-
Pipex	-	4%	4%
*Other	50%	44%	44%
Don't know	10%	9%	14%

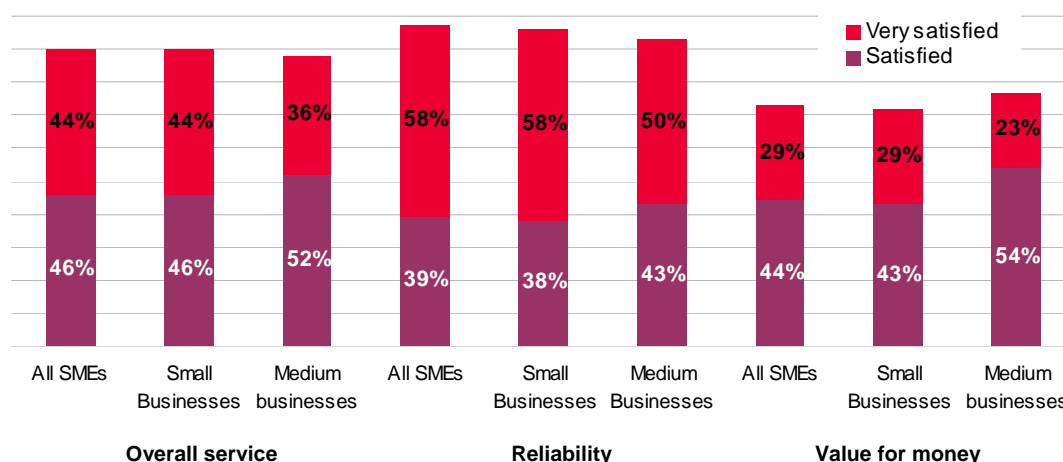
Source: Ofcom's SME tracking study, SMEs with broadband internet, Q1 2005

3. Consumer satisfaction with current telecoms services

Fixed line

A6.52 Almost all SMEs were satisfied with the reliability of their fixed line services (97%). However, value for money was rated less satisfactory (73%) and it is likely that this has an impact on satisfaction with overall quality, which stands at 90%. There were no significant differences in satisfaction levels across businesses according to size.

Figure A6.10: Satisfaction with aspects of fixed line services

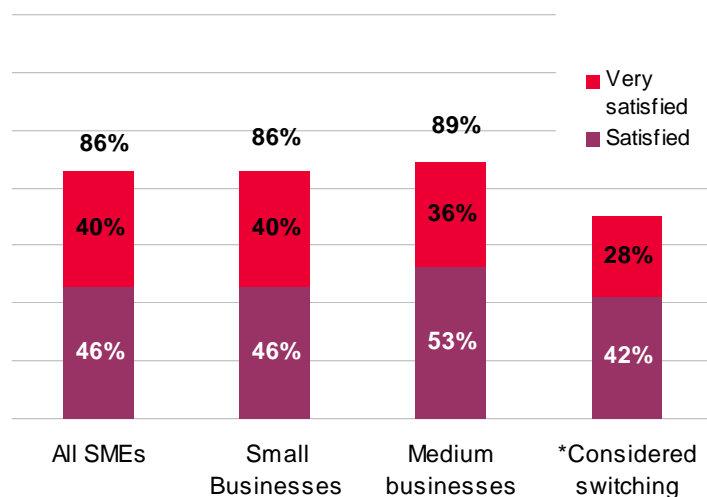


Base: 805 UK SMEs, Ofcom's SME tracker, Continental Research, Q4 2004

Mobile

A6.53 The majority of SMEs are satisfied overall with their mobile service, with little difference between small and medium businesses, see A6.11. SMEs that have considered changing their mobile network are less satisfied (70%). This is largely driven by the lower proportion (28%) who say they are 'very satisfied'. However, caution should be applied to this finding as it is based on a sample size of less than 100, and should be treated as indicative only.

Figure A6.11: Overall satisfaction with mobile service



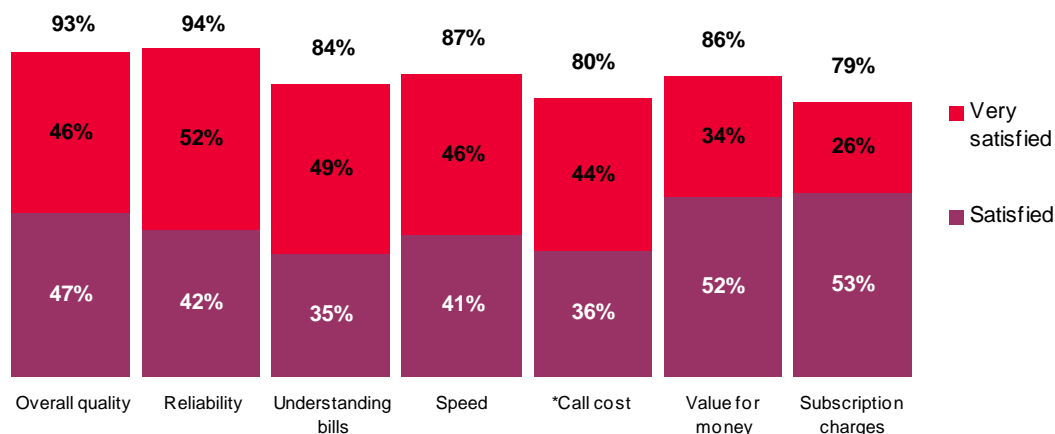
* small base size so treat as indicative only

Base: 574 UK SMEs with mobiles, 321 small businesses with mobiles, 250 medium businesses with mobiles, 85 SMEs that considered switching supplier but did not switch, Ofcom's SME tracker, Continental Research, Q4 2004

Internet

A6.54 Levels of satisfaction with internet services amongst SMEs are relatively high, see figure A6.12.

Figure A6.12: SME satisfaction with aspects of internet service



* call costs asked to narrowband customers only

Base: 810 UK SMEs with internet, Ofcom SME tracker, Continental Research, Q1 2005

A6.55 SMEs using a broadband internet connection were consistently more satisfied with their overall service and reliability, and considerably more satisfied with their access speeds (55% of those using a broadband were very satisfied compared to 33% of narrowband customers).

A6.56 Figure A6.13 compares satisfaction levels amongst SMEs that have considered, but have not switched their ISP, and those that have never even considered switching. Those that considered switching have consistently lower levels of satisfaction.

A6.57 The largest differences in satisfaction levels is for 'value for money' and 'subscription costs', which is consistent with previous research that suggests cost is the key factor prompting consumers (both residential and business) to switch supplier.

Figure A6.13: Comparison of satisfaction levels between all SMEs and those that have considered changing ISP

	Overall service quality	Reliability	Speed	Value for money	Understanding bills	Subscription costs
All SMEs never switched or considered switch	91%	93%	85%	85%	83%	80%
SMEs considered but not switched	83%	81%	71%	62%	80%	60%

Base: 810 UK SMEs with internet, 101 SMEs with internet that have considered changing ISP but never switched, Ofcom SME tracker, Continental Research, Q1 2005

Section 4

Consumer Empowerment

1. Information requirements

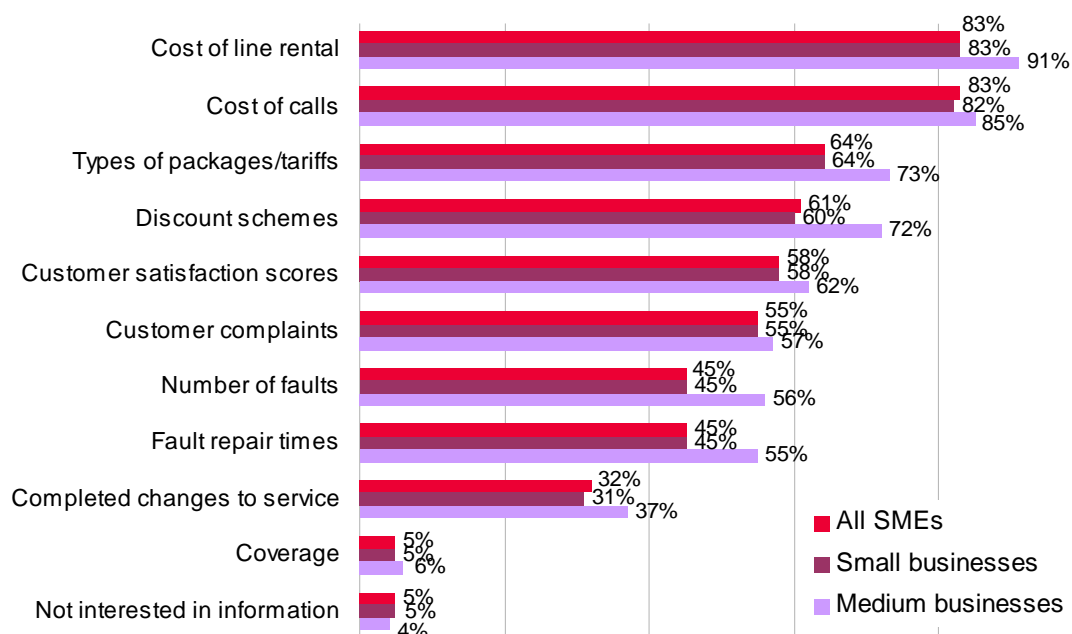
Comparable information

A6.58 There is a higher demand amongst SMEs for comparable information to assist supplier choice across fixed, mobile or internet services, in comparison to residential consumers. However, between 4% and 7%, depending on the service, were not interested in any information. Some said they were unlikely to change supplier therefore had no need to make comparisons.

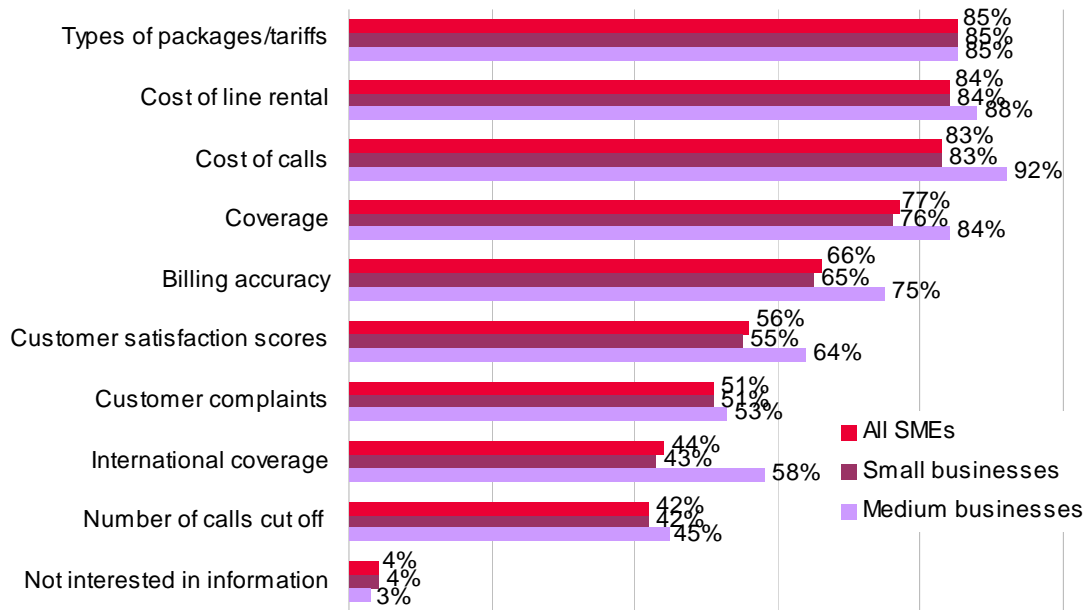
Cost comparisons

A6.59 The most common demand across services, as illustrated in figures A6.14, 15 and 16, and similar to findings amongst residential consumers, is for cost comparisons. Around nine in ten SMEs claim they would use cost comparisons for each service (89% for internet and 91% each for fixed and mobile). This is significantly higher than amongst residential customers where seven in ten say they would use cost comparisons particularly amongst larger SMEs.

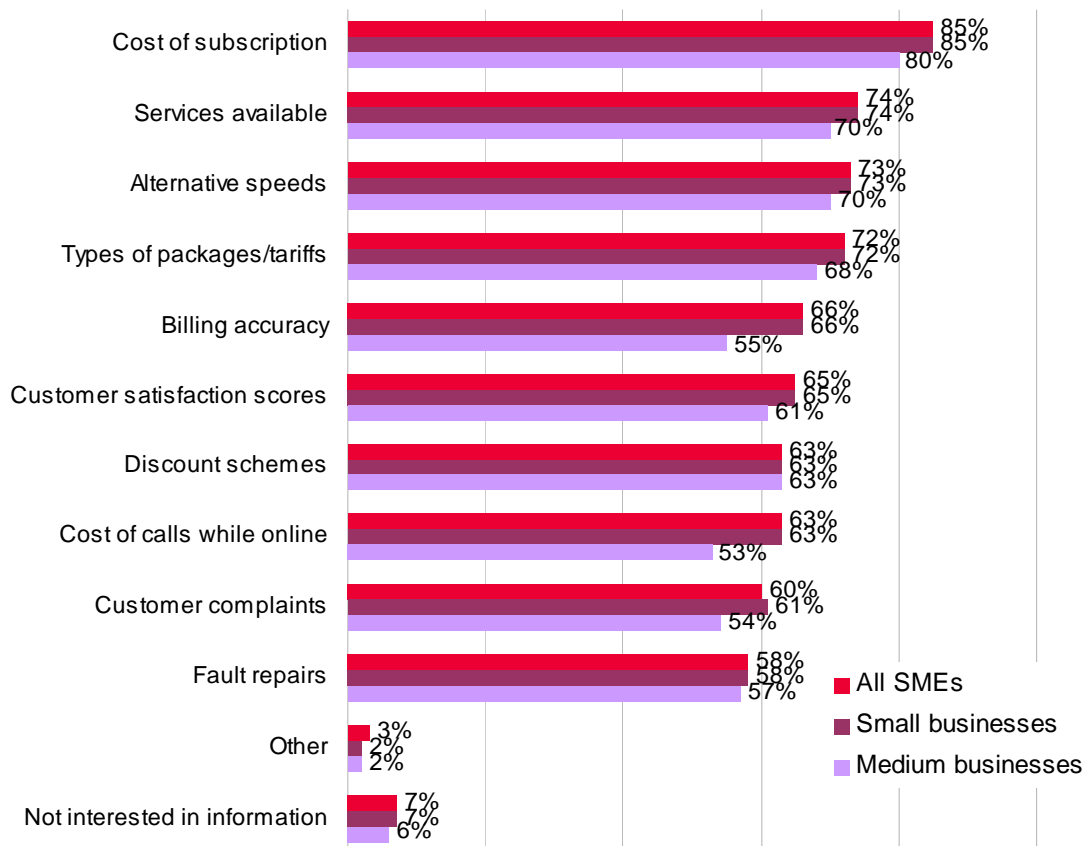
Figure A6.14: Fixed line comparable information requirements, prompted



Base: 903 UK SMEs, 571 small businesses, 332 medium businesses, Ofcom's SME tracker, Continental Research, Q1 2005

Figure A6.15: Mobile comparable information requirements, prompted

Base: 585 UK SMEs with mobiles, 325 small businesses with mobiles, 260 medium businesses with mobiles, Ofcom's SME tracker, Continental Research, Q1 2005

Figure A6.16 Internet comparable information requirements, prompted

Base: 810 UK SMEs with internet, 486 small businesses with internet, 324 medium businesses with internet, Ofcom's SME tracker, Continental Research, Q1 2005

Quality of service comparisons

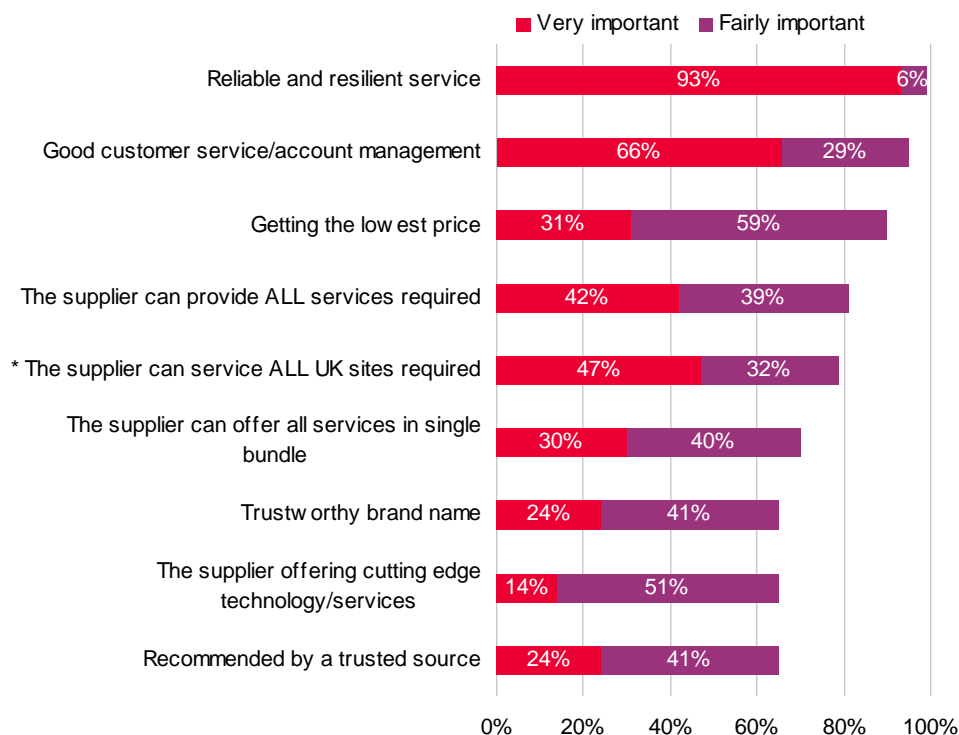
- A6.60 There is a consistent and common demand for comparisons on customer service levels and information on customer complaints (50%+ in each market).
- A6.61 Like residential consumers, SMEs are less interested in quality of service comparisons in the fixed market (72%) than for mobile (82%), or internet (87%).
- A6.62 However, stated use of quality of service comparisons is higher than that indicated by residential consumers (34% fixed, 52% mobile, 61% internet).
- A6.63 Stated likely use of comparable information was broadly similar across all SMEs regardless of size. In the internet market, results were also broadly similar amongst those using broadband or narrowband connections. Given that claimed intentions are rarely achieved in practice the data should be viewed as 'best-case' and note that actual use is likely to be significantly lower.

2. Aspects of importance to businesses in choice of supplier

Medium businesses

- A6.64 Businesses were asked to state the importance of various aspects of telecoms services when selecting a supplier. The aspects noted as important by the majority of medium businesses in choice of supplier are 'reliability/resilience' and 'customer service', see figure A6.17. Achieving the lowest price was important for 90% of medium businesses, although consolidation (supplying all services, or servicing all sites) appears higher when comparing level of 'very important' alone. There were no significant differences by businesses size (turnover or spend) including the importance of price.

Figure A6.17: Aspects of importance to medium businesses when selecting a telecoms supplier



Base: 500 telecoms decision makers in medium businesses, commissioned by Ofcom, conducted by, Continental Research, May 05

A6.65 Respondents were then asked to rank each aspect they had mentioned in order of importance. 'Reliability/resilience' came top, cited as most important to 72% of medium businesses, then 'cost/getting the lowest price' (11%) followed by 'customer service/account management' (9%).

A6.66 Overall findings indicate that, while price and the ability to negotiate is important to businesses when selecting a supplier, cost is by no means considered in isolation. For some, the ability for a supplier to service various sites, or provide multiple services, was of greater importance than obtaining the lowest price.

3. Consumer switching behaviour

Fixed line supplier

A6.67 In November 2004, four in ten SMEs said they had ever changed supplier for fixed line telecoms services, see figure A6.18. Propensity to switch fixed services increases with business size: 40% of small businesses had changed, but for medium businesses this rose to 49%.

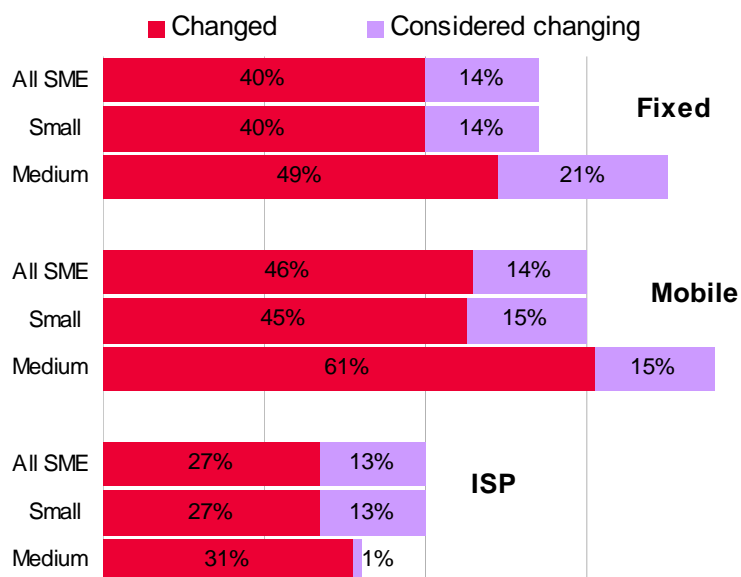
A6.68 Around a quarter (23%) of businesses said they had switched fixed supplier in the last 12 months. While over half (59%) had only ever changed fixed supplier once, a third (35%) had switched more than once and 23% had switched twice. Around half of medium businesses switched supplier more than once.

A6.69 Most businesses retained some, if not all, phone numbers when switching supplier. A minority claimed they had changed numbers as they were either misinformed or not advised of the option to retain numbers.

A6.70 A further 14% of SMEs (14% small and 21% medium) have considered switching fixed supplier, figure A6.18.

A6.71 'Satisfaction' (40%) and 'no need' (26%) are the key reasons for remaining with the same supplier for fixed services. 15% had not changed supplier as they thought this would cause too much hassle and disruption. However, in practice, a minority (10%) of switchers said the process was difficult and only 2% said it was very difficult. This view was consistent across businesses, with no significant differences by size.

Figure A6.18: Switching and considered switching fixed, mobile, ISP supplier by business size



Base: 805 UK SMEs, 574 UK SMEs with mobiles, Ofcom's SME tracker, November 2004, Continental Research; 810 UK SMEs with internet, Q1 2005, SME tracker, Continental Research

Mobile supplier

A6.72 Two-thirds (65%) of telecoms decision-makers within SMEs with mobiles review their mobile supplier at least annually. One in ten (11%) do so on a six monthly basis, 5% quarterly and 3% review this monthly.

A6.73 In total just fewer than half of SMEs with mobiles have ever changed mobile network, (Fig 18), and in total a fifth changed network within the last 12 months. Propensity to switch supplier in the mobile market also increases with business size, with mobile switching rising to six in ten amongst medium businesses.

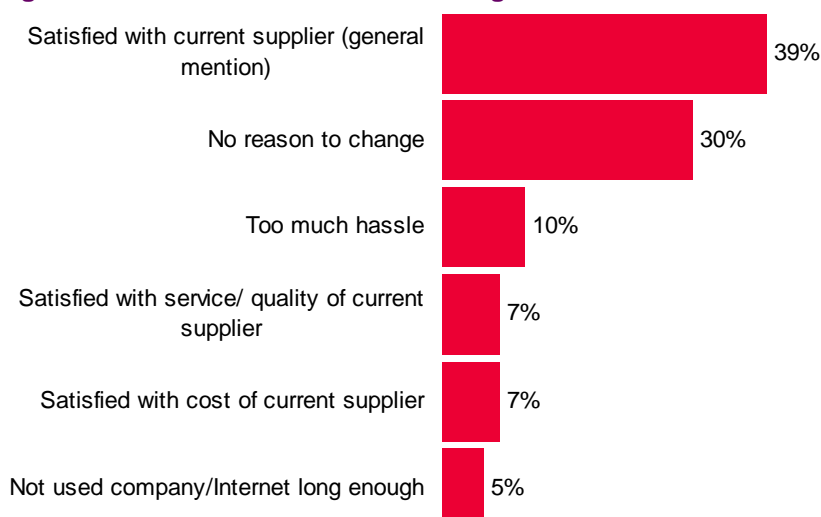
A6.74 On the whole, SMEs have only changed mobile network once (60% of switchers, 28% of all SMEs with mobiles). 16% of SMEs with mobile phones have changed network more than once. A small proportion was unsure how many times their business had changed mobile network.

- A6.75 Three-quarters of mobile switchers retained some if not all of their numbers when changing network, with broadly similar results by business size. SMEs that changed numbers mentioned a number of barriers including lack of awareness, cost, not being given the option, or being misinformed about the right to retain numbers. However, more than one in ten (14%) said they had wanted new numbers. This means that approximately one in ten switchers say they faced barriers to retaining their mobile numbers.
- A6.76 A further 14% of SMEs with mobiles said they had considered but not switched network, with broadly similar results across all business sizes.
- A6.77 Satisfaction was by far the most common reason for remaining with their current supplier (72%) amongst those who had not changed mobile network – this includes both those that had and hadn't considered a new supplier. Similar to other telecoms markets, 'hassle' was cited by around one in ten (9%) as the reason for not switching. The general perception amongst switchers in the mobile market was that it was 'easy' to do (77%), with 45% saying 'very easy'.

Changing ISP

- A6.78 Around a quarter of SMEs with access to the internet (27%) have changed ISP, with results broadly similar amongst medium and small businesses, figure A6.18. Most switching occurred in the last 4 years (25%).
- A6.79 Three-quarters of switchers (a fifth of all SMEs with internet) only changed ISP once. This means that 7% of SMEs with internet have changed ISP more than once. A further 13% of businesses with internet considered switching, but remained with their incumbent supplier.
- A6.80 13% of small businesses considered switching compared to 1% of medium businesses. In this respect the internet market differs from both the fixed and mobile markets with 60% not even considering a change of supplier.
- A6.81 Reasons for neither switching nor considering switching were consistent with those given in relation to fixed and mobile markets: 'satisfaction' (39%) and 'no need' (30%). One in ten cited 'hassle' as a barrier, however in practice, and similarly to the fixed market, most switchers said the process was not difficult (79%).
- A6.82 SMEs using broadband connections were more than twice as likely to say the switching process was difficult (20%) than those using narrowband (8%).

Figure A6.19: Reasons for not switching ISP



Base: 519 UK SMEs with internet that have not switched supplier, Ofcom's SME tracker, Continental Research, Q1 2005

Changing internet connection method

A6.83 Three in ten SMEs with internet (slightly higher amongst medium businesses) have changed their internet connection method. This is consistent with the changes in connection methods observed in the last few years. Switching levels are higher amongst current broadband subscribers (44%) compared to narrowband (20%). Switching in the narrowband market appears to have been driven by switching between packages (23% of unmetered customers, compared to 12% of metered)

Section 5

Consumer Protection

1. Awareness of complaints processes¹⁹

- A6.84 Like residential consumers, most SMEs (88%) said that, if they had a problem with their telecoms service, they would begin the complaints procedure by contacting their supplier. A minority (4%) don't know who to contact initially, while 3% would contact Ofcom/Ofel, and 2% would forward the problem within their company e.g. to head office or the account manager. Results were broadly similar across small and medium businesses.
- A6.85 When the correct complaints procedure was explained i.e. to contact their supplier then escalate the complaint if the outcome remained unsatisfactory, half spontaneously said they would contact the regulator. 36% specifically mentioned Ofcom, but 12% referred to Ofel, and 2% could not name regulator. Medium businesses are more likely to say they would contact Ofcom (48%) than small businesses.
- A6.86 A third of SMEs don't know what they would do at this stage of their complaint. This is higher amongst small businesses (35%) compared to medium sized businesses (27%).
- A6.87 2% of SMEs said they would contact the telecoms ombudsman, however none spontaneously mentioned the approved dispute resolution scheme (ADR) either by name (Otel or CISAS) or in general terms. This is consistent with the relatively low levels of awareness of each of these schemes amongst SMEs even when prompted.
- A6.88 Just over one in ten (13%) are aware on prompting of Otel and 4% are aware of CISAS. All of those aware of CISAS also said they were aware of Otel. However, the vast majority (83%) of SMEs are not aware of either scheme.
- A6.89 No SME spontaneously mentioned suppliers' Code of Practice when asked about sources of information regarding either ADR. Media, either magazines or newspapers, was the most frequently mentioned source (45%). One in ten SMEs, generally smaller businesses, mentioned the phone bill, whereas larger SMEs were more likely to mention word of mouth.
- A6.90 These findings illustrate a requirement for SMEs to be made more aware of complaints processes and associated relevant organisations, and this is consistent with the low awareness amongst residential consumers. Given that Ofcom is the most popular second stop for businesses with a complaint (that are following the escalation process), raising awareness of suppliers codes of practice should go some way towards reducing the level of complaints received by Ofcom that are re-directed back to suppliers/ADR.

¹⁹ Base: 903 UK SMEs, Ofcom's SME tracker, Continental Research, Q1 2005

Awareness of Ofcom²⁰

- A6.91 The majority of decision-makers within SMEs are aware of Ofcom (81%). Awareness levels rise with business size, to 88% amongst medium sized businesses. Those businesses without internet access or mobile phones are least likely to be aware of Ofcom (65% and 78% respectively).
- A6.92 The media is the most frequently cited source of awareness, either via press coverage (31%), on the TV (28%) or radio (10%). Other sources mentioned include word of mouth, 7%, supplier, 3%, and 2% said they found out about Ofcom when they had to make a complaint about a telecoms service.

²⁰ Base: 903 UK SMEs, Ofcom SME tracker, Continental Research, Q1 2005

Section 6

Methodologies and Sample Sizes

The table below illustrates the various sources of data contained in this report.

Table 1: Data sources

	Sample details	Fieldwork	Sample size
Ofcom's Strategic Review of Telecommunications	UK SMEs (50-250 employees), telephone survey with telecoms decision-maker	May-June 04	2,594
Geographic Market analysis surveys – medium business/ business pricing	UK Medium businesses (50-250 employees), telephone survey with telecoms decision-maker	June 05	500
SME tracking study	UK SMEs (1-250 employees), telephone survey with telecoms decision-maker	Aug-Nov 04, Jan-Mar 05	829/903