

Inflation-linked in-contract price rises - Mobile

Summary of January 2023 and October 2023 research findings



making communications
work **for everyone**

Background

Price variation terms are written into some communication providers' contracts. They allow the provider to increase the core subscription prices that customers pay for telecoms services. These terms can take different forms: some providers link their terms to a rate of inflation (e.g. increasing prices by the Consumer Prices Index (CPI) or Retail Prices Index (RPI)), some to a percentage of the existing price, and some to a combination of the two (e.g. CPI + X%). Not all providers have price variation terms, but those that do often apply them in March or April each year.

The inclusion of inflation-linked price variation terms in telecoms contracts, in combination with fast-rising rates of inflation, have led to large and likely unanticipated price rises in 2022 and 2023 for many fixed broadband and mobile customers.

We conducted research to explore consumer awareness and understanding of inflation-linked price variations terms (**ILPVT**) and rates of inflation. We conducted two waves of research: fieldwork took place in January 2023 (phase 1) and October 2023 (phase 2).

The October 2023 wave was a partial repeat of the quantitative survey conducted in January 2023 to assess any changes in awareness since the start of year, with the inclusion of some extra questions to test consumers' reactions to potential remedies.

Methodology

Sample

- Nationally representative samples of 2,103 (January) / 2,119 (October) adults aged 16+ in the UK
- 1,797 (January) / 1,771 (October) mobile pay-monthly consumers (includes bundled, linked and SIM-only contracts; in-contract and out of contract customers)*
- Quotas set on region, gender, age, and working status

Data collection

- Online omnibus survey
- Conducted by Yonder
- Fieldwork 6th – 8th January 2023 / 18th-19th October 2023

Data reporting

- Weighted to be nationally representative of the UK
- Significance testing applied at the 95% confidence level within wave and 99% wave-on wave

* All data reported in these slides are based on the sub-sample of pay-monthly mobile customers

Executive Summary

Low awareness of price rises

- Of those customers who were in-contract and were with providers that use inflation-linked price variation terms, four in ten (42%) were unaware that their provider could increase their monthly payment
- Among customers who were with providers that use inflation-linked price variation terms and were aware that their prices could increase, most (78%) were unable to correctly identify how their provider would increase their price.
- Very few customers (12%) who contracted with providers that use inflation-linked price variation terms were both aware of price rises and able to identify how their provider would increase price (i.e. that the price rise was inflation-linked with an additional fixed percentage).

Low general understanding of inflation rates

- Six in ten (58%) pay-monthly mobile customers don't know/are incorrect that the CPI and the RPI measure the rate of inflation
- The majority (79%) of pay-monthly mobile customers who were aware the CPI and the RPI measure rates of inflation, did not understand the difference between them. (January 2023)

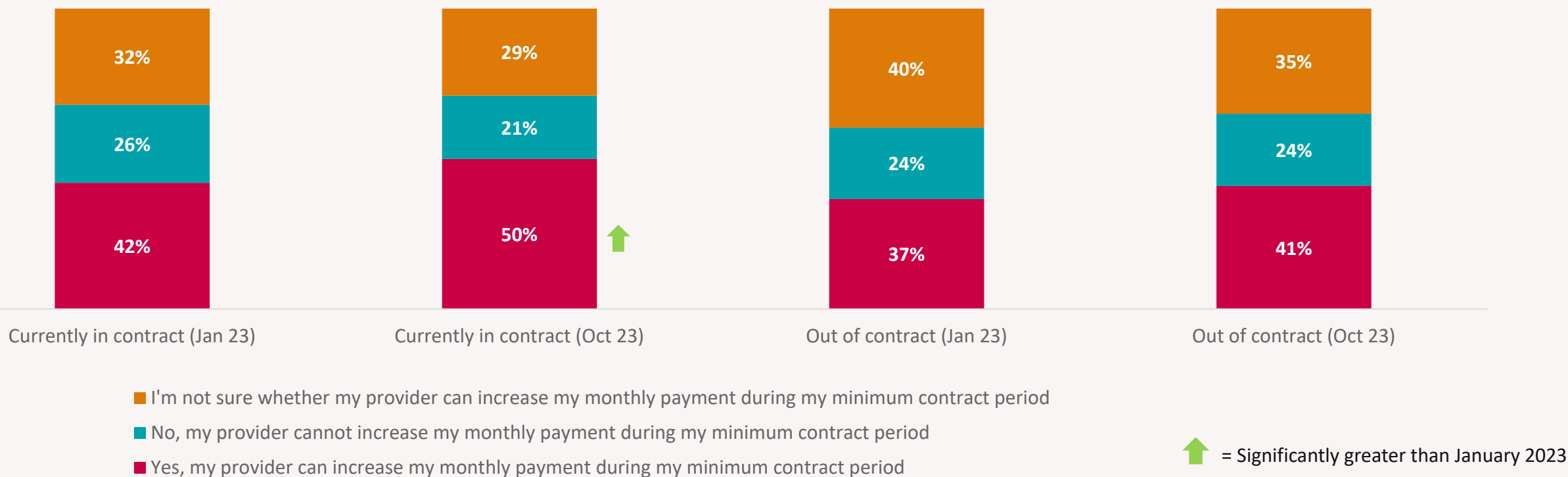
Remedies

- Most pay-monthly mobile customers agreed that a description of the price that is fixed or includes an increased price stated in pounds and pence makes it easy to understand how much they will be paying each month

Awareness of provider's ability to increase prices

In October 2023, those in contract were more likely to be aware their provider could increase their price during their minimum contract period compared to January 2023

Do you know whether your provider can increase your monthly payment?



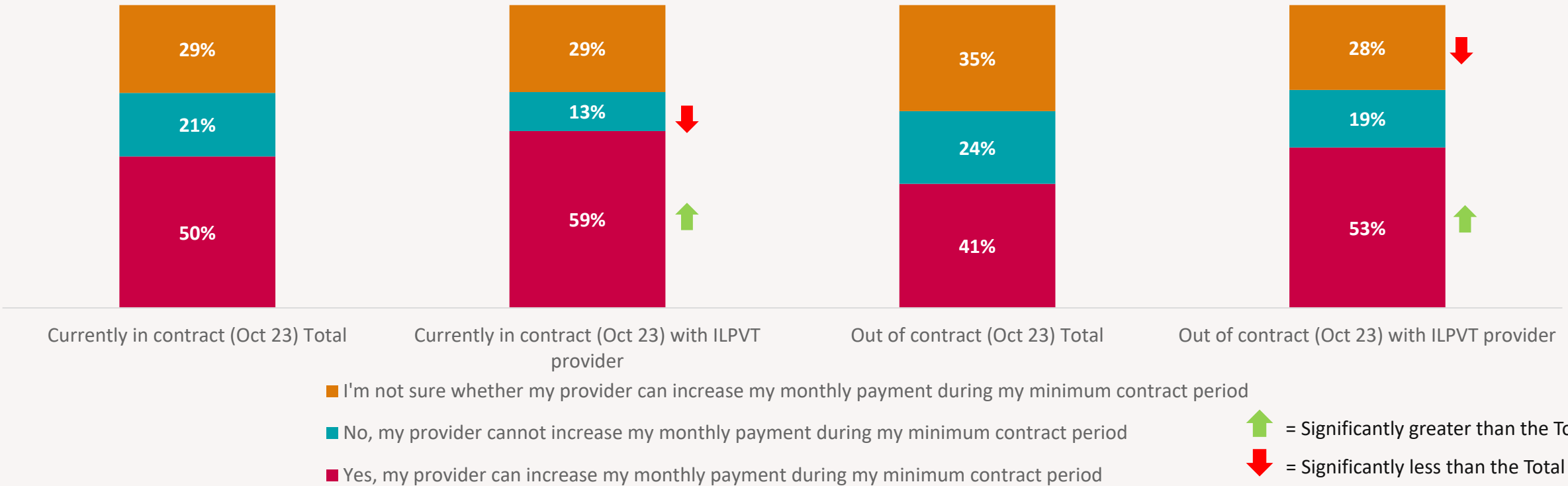
Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

Q10/Q6. Do you know whether your provider can increase your monthly payment during your minimum contract period? Base: All pay-monthly mobile customers currently in a fixed term contract and know their provider (Jan 23 1042) (Oct 23 978)

Q11/Q7. Do you know whether your provider can increase your monthly payment? Base: All pay-monthly mobile customers currently not in a fixed term contract and know their provider (Jan 23 722) (Oct 23 775)

Those with a provider that applies inflation linked in-contract price rises were more likely than the total to be aware their provider can increase their monthly payment

Do you know whether your provider can increase your monthly payment?



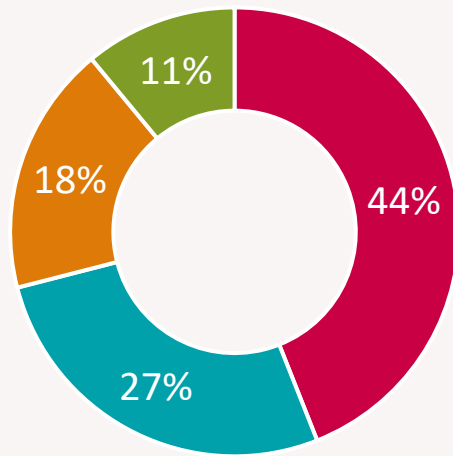
Source: In-contract price rises Research, Yonder (October 2023)

Q10/Q6. Do you know whether your provider can increase your monthly payment during your minimum contract period? Base: All pay-monthly mobile customers currently in a fixed term contract and know their provider (978) ILPVT provider (607)

Q11/Q7. Do you know whether your provider can increase your monthly payment? Base: All pay-monthly mobile customers currently not in a fixed term contract and know their provider (775) ILPVT provider (359)

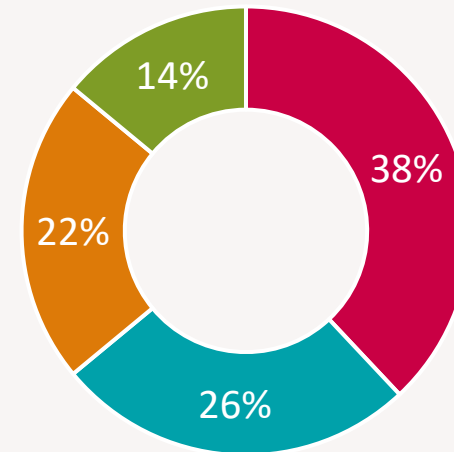
Around four in ten of those who were aware their provider can increase their price found out before signing up to the contract

When did you first become aware that your monthly payments to your provider could increase? - Jan 23



■ Before signing up to the contract ■ During the sign-up process
■ After signing up to the contract ■ Can't remember

When did you first become aware that your monthly payments to your provider could increase? – Oct 23

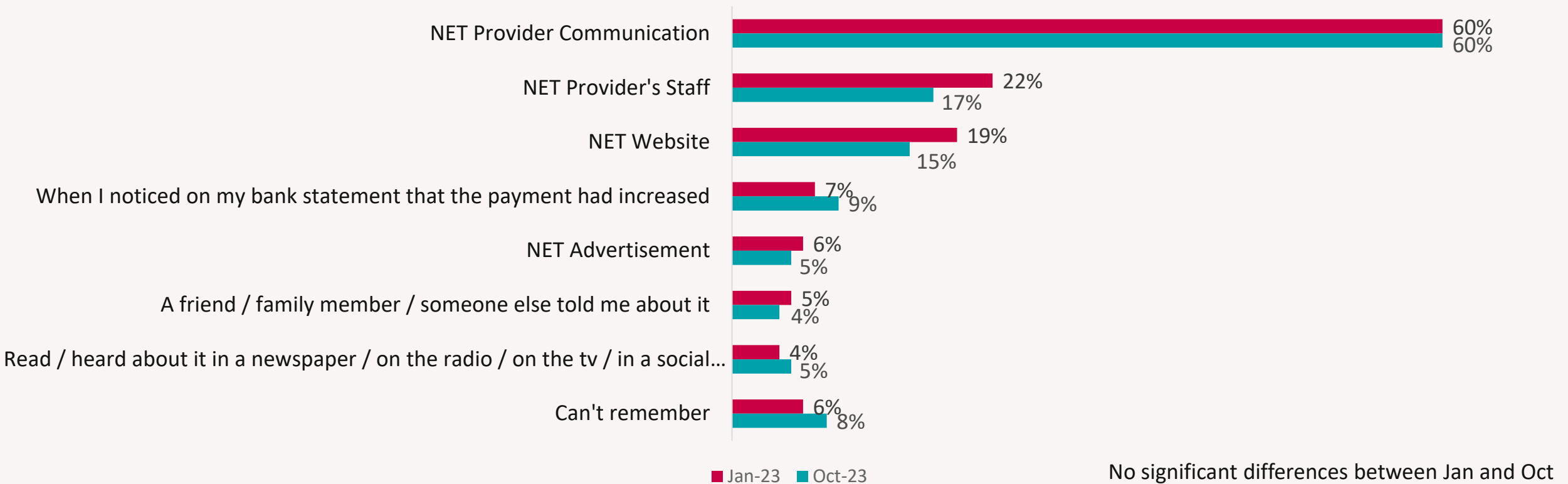


■ Before signing up to the contract ■ During the sign-up process
■ After signing up to the contract ■ Can't remember

No significant differences between Jan and Oct

Most (60%) of those who could recall how they became aware that their provider could increase their monthly payments said this was via a form of communication from their provider

How did you become aware that your provider could increase your monthly payments?



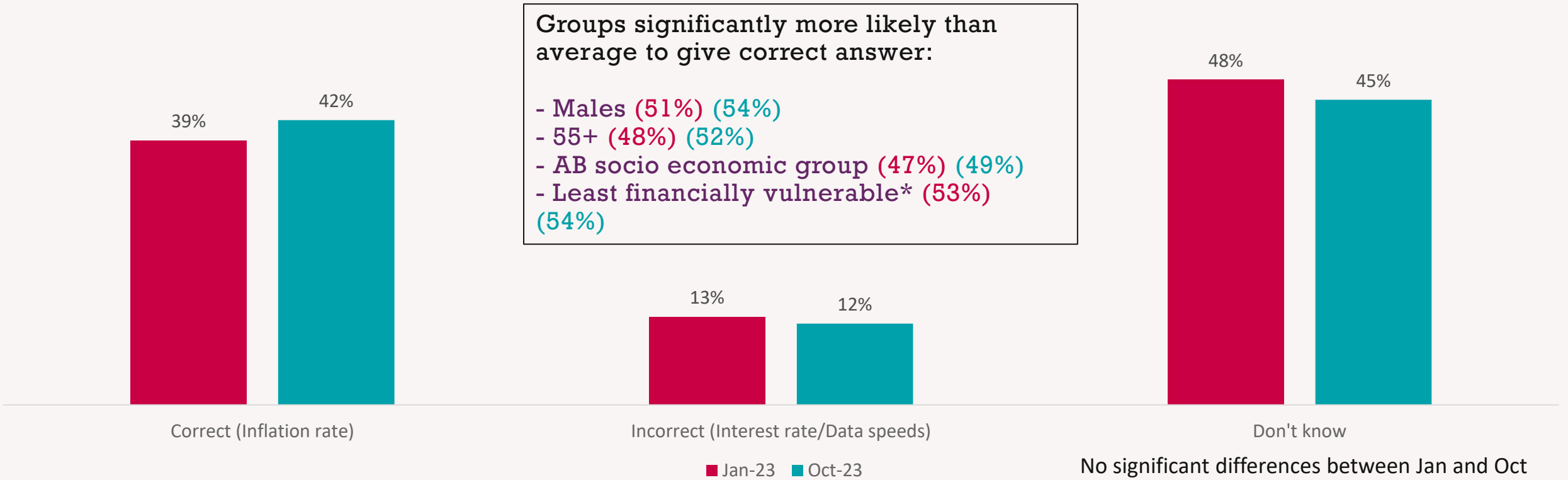
Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

Q13/Q9. How did you become aware that your provider could increase your monthly payments? Base: All pay-monthly mobile customers who can recall when they became aware (Jan 23 596) (Oct 23 707)

'Provider Communication', 'Provider Staff', 'Website' and 'Advertisement' are NETs incorporating multiple answers.

Fewer than half correctly identified what the CPI and RPI measure

Do you know what the CPI and the RPI measure?



Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

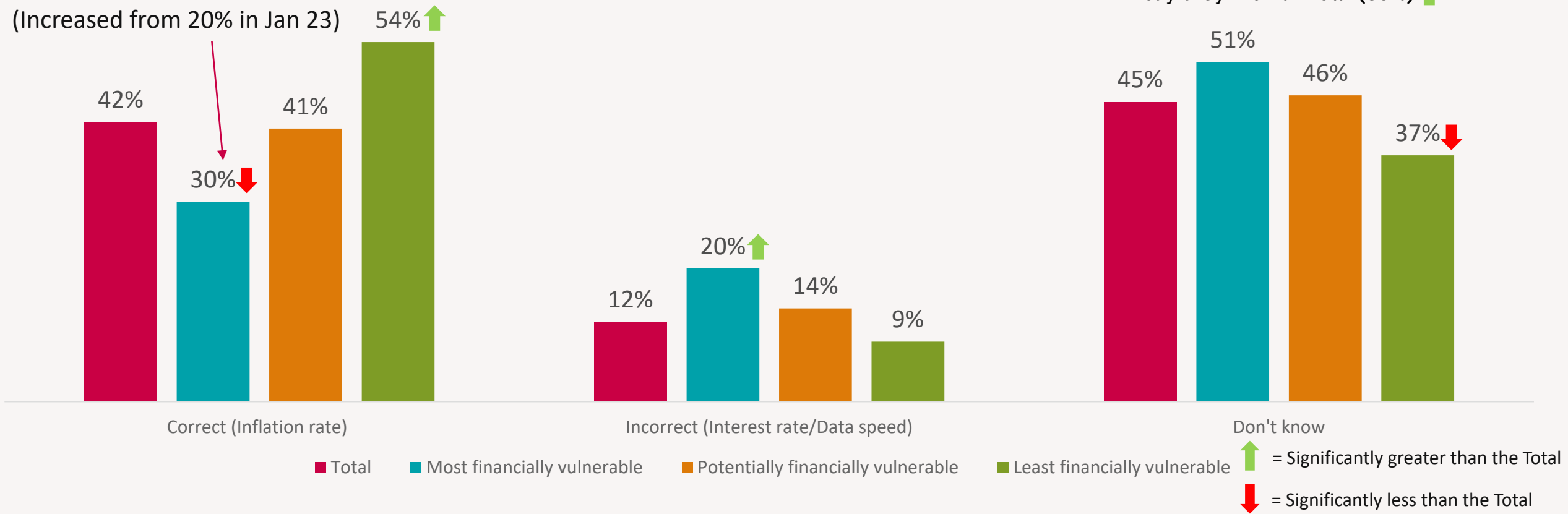
Q17/Q10. Do you know what the CPI and the RPI measure? Base: All pay-monthly mobile customers (Jan 23 1764) (Oct 23 1753)

'Correct' = Inflation rate 'Incorrect' = NET: Interest rate or Data speeds

The most financially vulnerable* were more likely not to know or to give an incorrect response about what the CPI and RPI measure

Do you know what the CPI and the RPI measure?

Those with a **mental health condition** were also more likely than the total to say they 'don't know' (59%) ↑



Source: In-contract price rises Research, Yonder (October 2023)

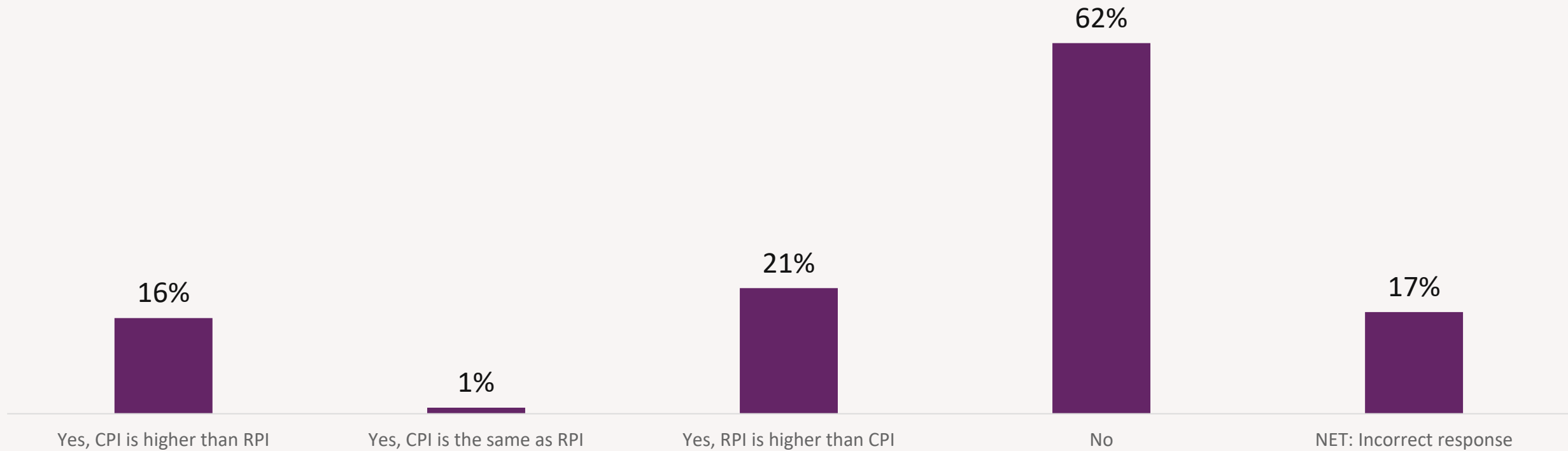
Q10. Do you know what the CPI and the RPI measure?

Base: All pay-monthly mobile customers (OCT 23 1753) Financial vulnerability: Most (251), Potentially (820), Least (513).

*Note on Financial vulnerability at the end of the pack

The majority (79%) of those who were aware that the CPI and RPI measure rates of inflation did not know the difference between the two measures

Do you know the difference between the Consumer Prices Index (CPI) and Retail Prices Index (RPI)?



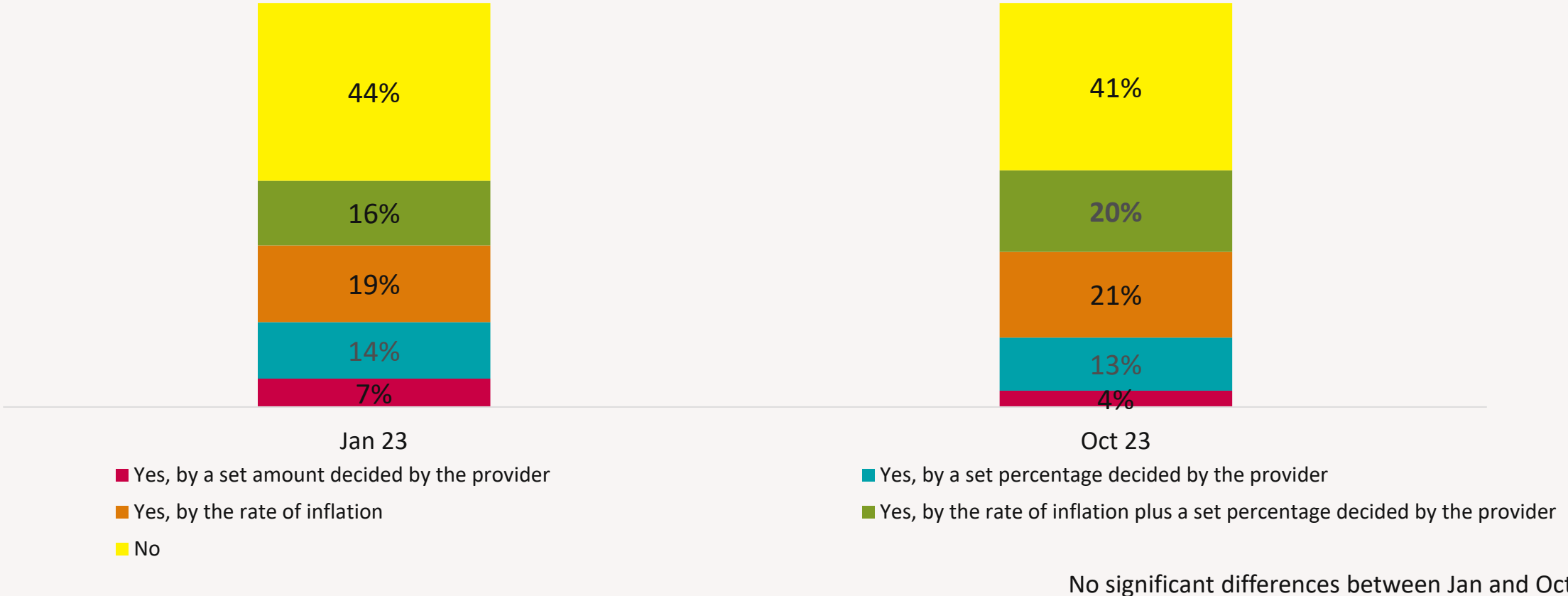
Source: In-contract price rises Research, Yonder (January 2023)

Q20. Do you know the difference between the Consumer Prices Index (CPI) and Retail Prices Index (RPI)?

Base: All pay-monthly mobile customers aware that CPI and RPI measure rates of inflation and had heard of CPI and RPI before today (655)

Around four in ten of those who were aware their price can increase were unaware of how the price rise would be calculated

Do you know how your provider will calculate the increase to your monthly payments?



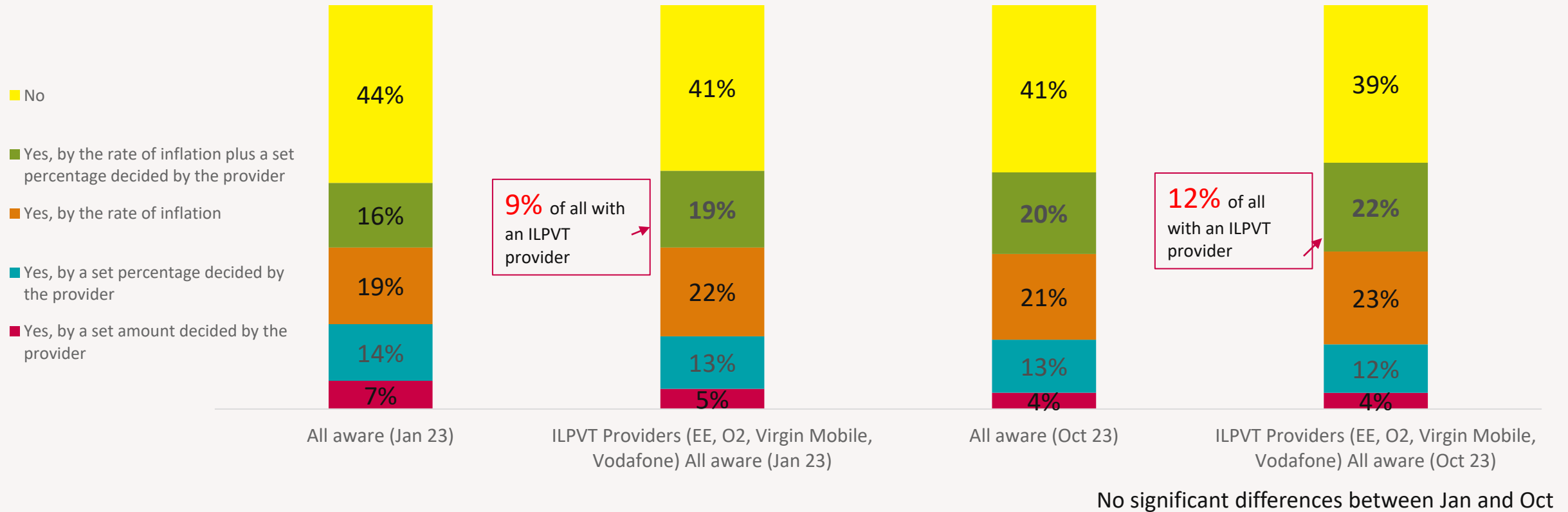
Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

Q21./Q12 Do you know how your provider will calculate the increase to your monthly payments?

Base: All pay-monthly mobile customers who are aware their provider can increase their payment (Jan 23 678) (Oct 23 812)

Few customers with a provider that applies inflation linked in-contract price rises, and were aware that they could, were able to identify the price rise methodology correctly

Do you know how your provider will calculate the increase to your monthly payments?



Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

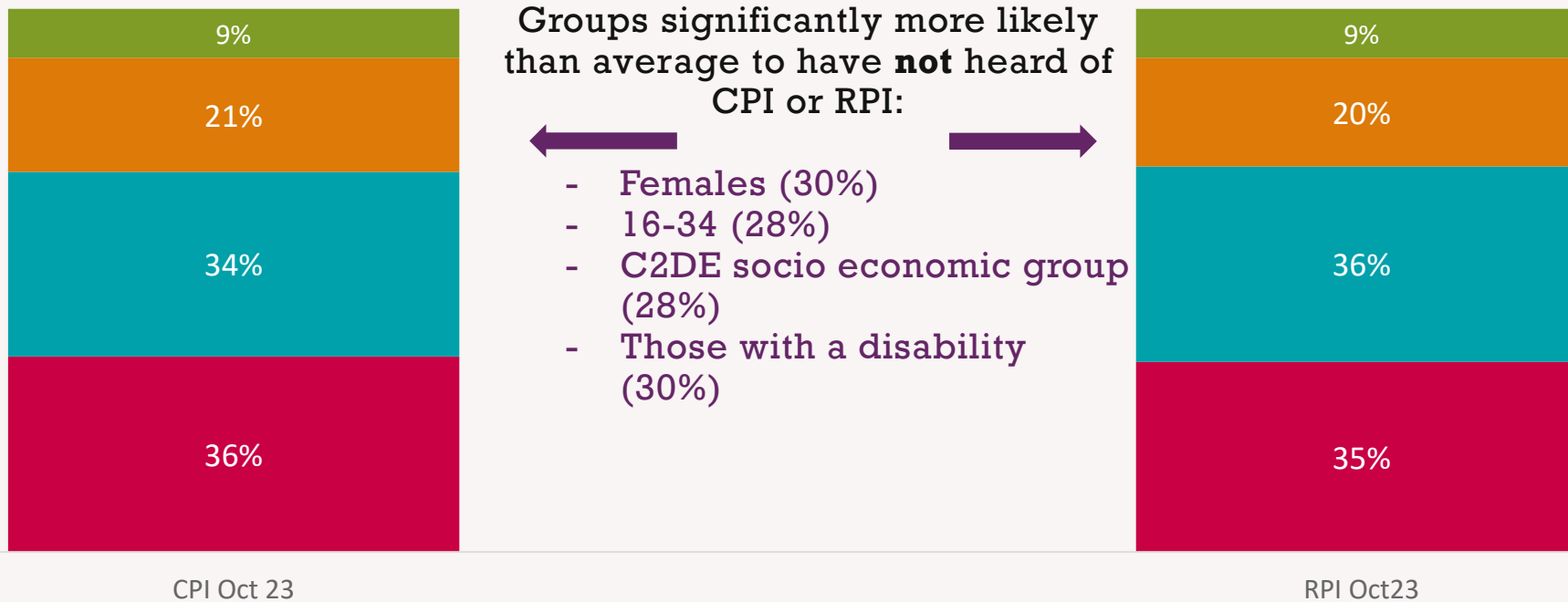
Q21/12. Do you know how your provider will calculate the increase to your monthly payments?

Base: All pay-monthly mobile customers who are aware that their provider can increase their payment (Jan 23 678) (Oct 23 812) , All pay-monthly mobile customers who are aware that their provider can increase their payment and are with a ILPVT Provider (Jan 23 463) (Oct 23 546)

Base: All pay-monthly mobile customers with an ILPVT provider (Jan 23 937) (Oct 23 966)

7 in 10 had heard of CPI and/or RPI but only around half of those understood how to find information about them

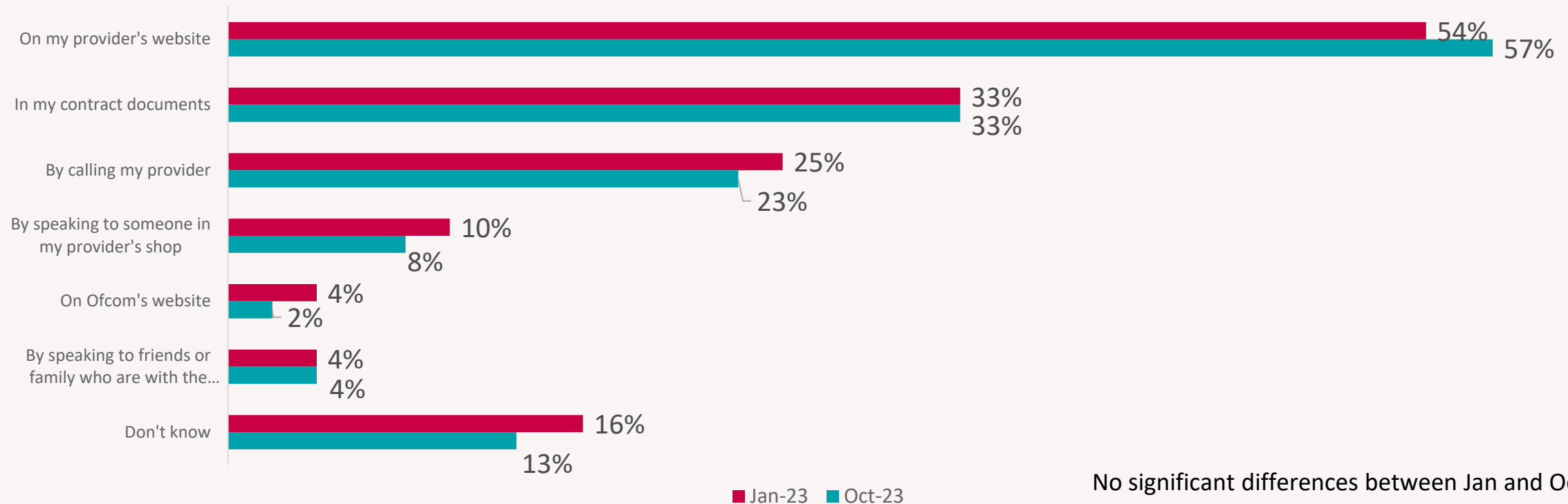
Before today, had you heard of the CPI and the RPI?



■ Yes, had heard of it and understand how to find information about it
 ■ Yes, had heard of it but DON'T understand how to find information
■ No, had not heard of it
 ■ Not sure

Over half (57%) of those who were not aware their provider can increase their price cited their provider's website as a place they would look for information on whether their provider was able to increase their price

Where would you look to find out whether your provider will be increasing your monthly payments?



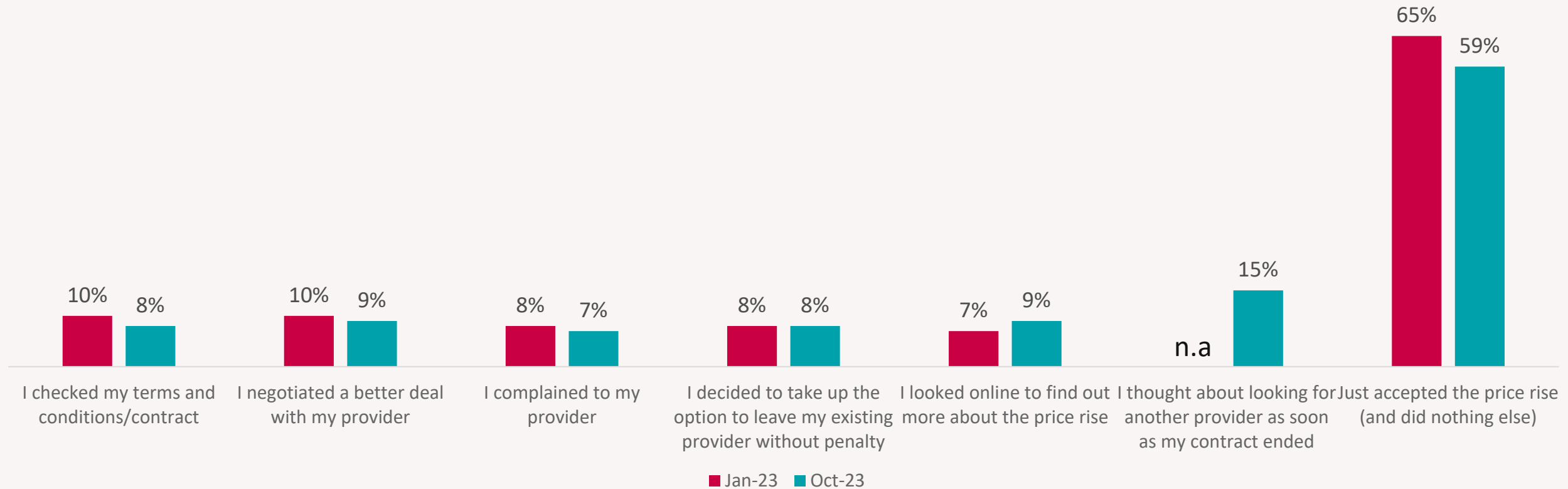
Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

Q24/Q13. Where would you look to find out whether your provider will be increasing your monthly payments?

Base: All pay-monthly mobile customers who are not aware that their provider can increase their payment (Jan 23 644) (Oct 23 570)

Three in five (59%) of those who were aware that they had a price increase in March/April 2023 just accepted the price rise and did nothing else

How did you respond to the price increase in March/April 2022/23?



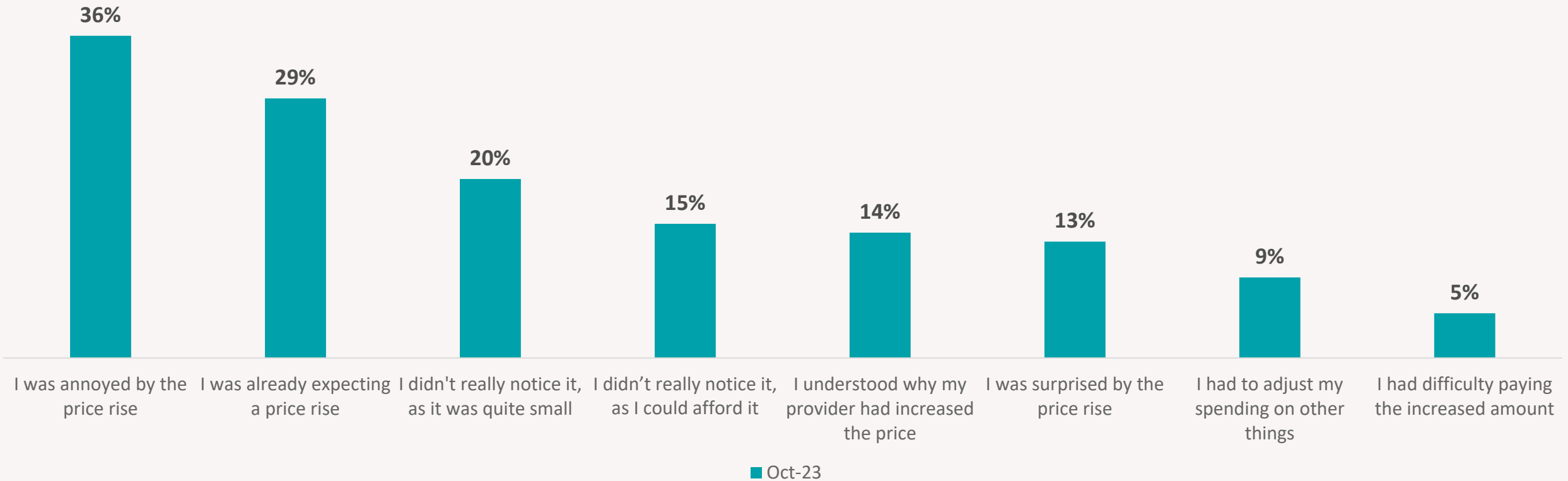
Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

Q26/Q15. How did you respond to the price increase in March/April 2022 / March/April 23?

Base: All pay-monthly mobile customers who were aware they had a mobile price increase in March/April (Jan 23 518) (Oct 23 684)

Over a third (36%) of those who were aware that they had a price increase in March/April 2023 were annoyed by the price rise

And what effect, if any, did the price increase in March/April 2023 have on you?



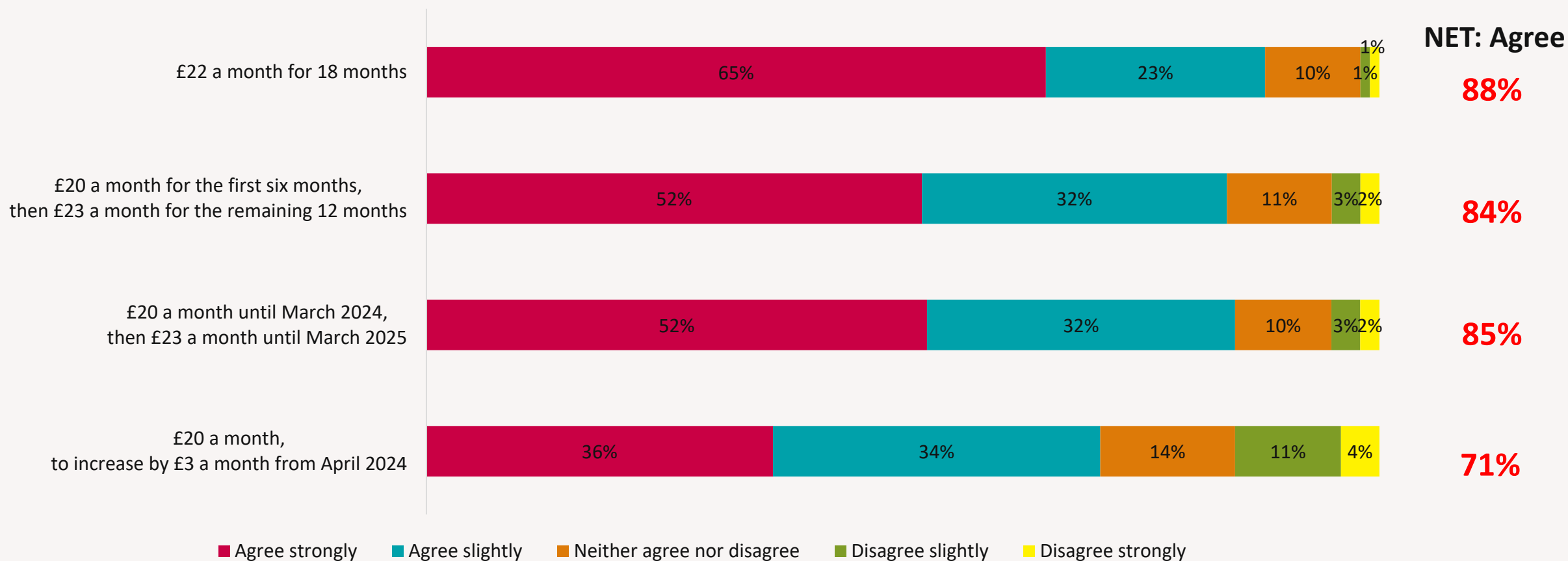
Source: In-contract price rises Research, Yonder (October 2023)

Q16. And what effect, if any, did the price increase in March/April 2023 have on you?

Base: All pay-monthly mobile customers who were aware they had a mobile price increase in March/April (684)

Most pay monthly customers agreed that a description of the price that is fixed or includes an increased price stated in pounds and pence makes it easy to understand how much they will be paying each month

We'd now like you to imagine that it is 1st October 2023 and you are looking for a new, SIM-only mobile contract to run for 18 months (from 1st October 2023 to 31st March 2025).
To what extent do you agree or disagree that this description of the price makes it easy to understand *how much you will be paying each month*?



Source: In-contract price rises Research, Yonder (October 2023)

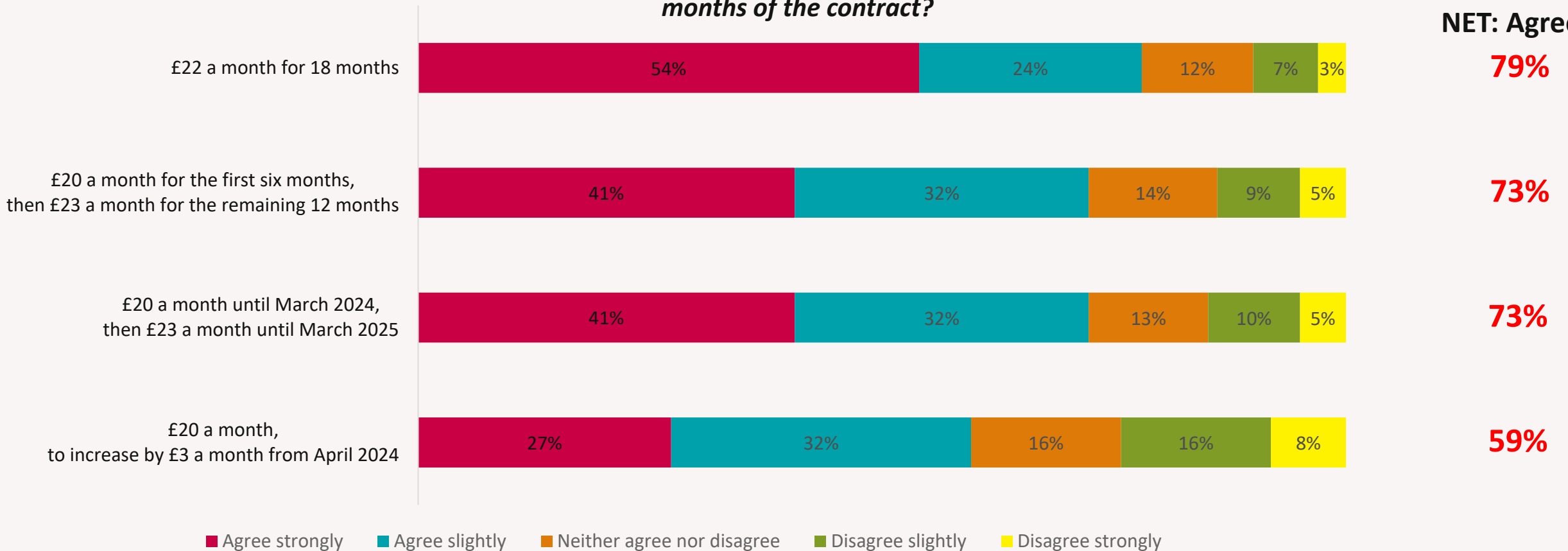
Q17. We'd now like you to imagine that it is 1st October 2023, and you are looking for a new, SIM-only mobile contract to run for 18 months (from 1st October 2023 to 31st March 2025). To what extent do you agree or disagree that this description of the price makes it easy to understand how much you will be paying each month?

Base: All pay-monthly mobile customers (1753)

Most pay monthly customers agreed that a description of the price that is fixed or includes an increased price stated in pounds and pence makes it easy to understand how much they would pay in total

We'd now like you to imagine that it is 1st October 2023 and you are looking for a new, SIM-only mobile contract to run for 18 months (from 1st October 2023 to 31st March 2025).
To what extent do you agree or disagree that this description of the price makes it easy to understand *how much you would pay in total over the 18 months of the contract?*

NET: Agree



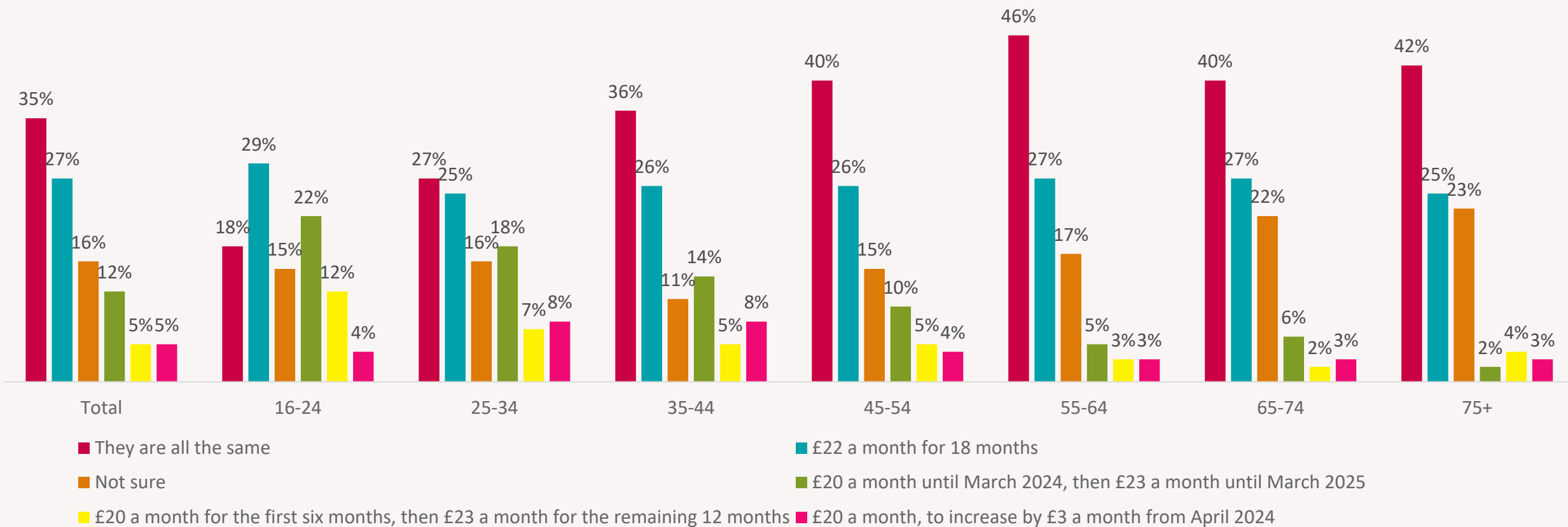
Source: In-contract price rises Research, Yonder (October 2023)

Q17. We'd now like you to imagine that it is 1st October 2023 and you are looking for a new, SIM-only mobile contract to run for 18 months (from 1st October 2023 to 31st March 2025). To what extent do you agree or disagree that this description of the price makes it easy to understand how much you would pay in total over the 18 months of the contract?

Base: All pay-monthly mobile customers (1753)

55-64s were most likely to be able to see that all pricing options work out the same over 18 months

Which of the four pricing options do you think provides the best value for money over the 18 months of the contract period?



Source: In-contract price rises Research, Yonder (October 2023)

Q18. Which of the four pricing options do you think provides the best value for money over the 18 months of the contract period?

Base: All pay-monthly mobile customers (1753) 16-24 (209), 25-35 (327), 35-44 (258), 45-54 (310), 55-64 (248), 65-74 (274), 75+ (127)

Note on Financial Vulnerability

Respondents providing sufficient personal data (Household income and number of children in Household) have been allocated to one of three levels of financial vulnerability: Most, Potentially and Least.