# Fixed and Mobile Research

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Prepared for: openreach

a BT Group business BT

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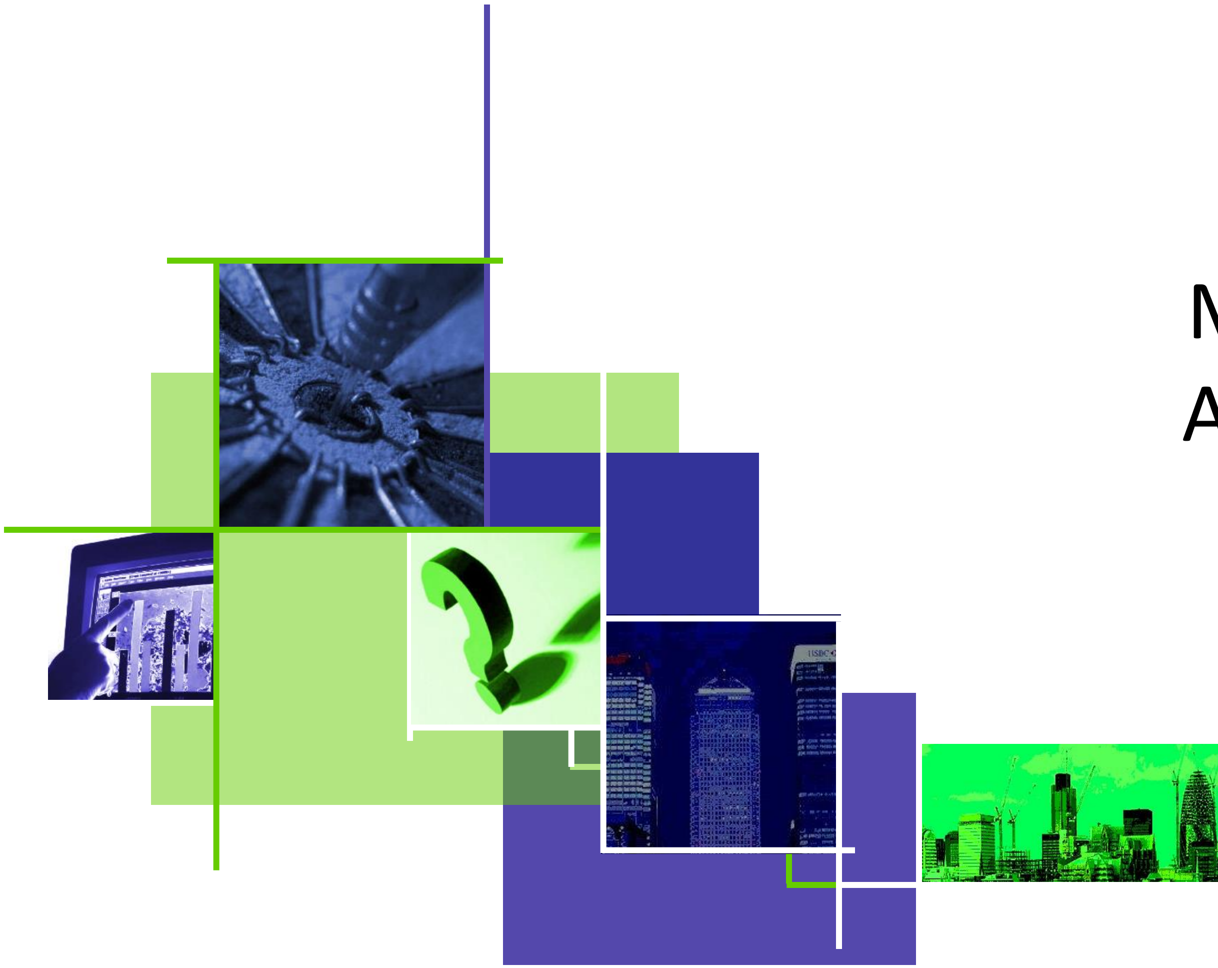
Non Confidential

# Executive Summary

- Current mobile-only consumers (15% penetration) are not market leaders – their profile is mostly those in rented accommodation and lower socio-economic groups (43% of DE's) which suggests an element of financial necessity as much as choice
  - In contrast, those that class themselves as Early Adopters choose both fixed and mobile
- Potential net 5% decline in fixed voice ownership based on consumers current intentions for the 'next year or so'
  - Up to 8% of those with a fixed voice line are considering cancelling it (3% new adoption in addition)
  - Main driver is that many see no need / don't use their fixed voice connection, although some do not make the linkage between the need to have a landline in order to continue their fixed broadband service
  - Evidence of costs pressures driving some to consider dropping their fixed line – mainly DE socio-economic
- The latest generation of mobile broadband, 4G, has the most potential to grow of the markets tested
  - A lack of understanding / awareness amongst some consumers is inhibiting intentions to adopt
  - But 3 in 10 fixed broadband users would consider adopting a mobile broadband service at equivalent speed and price to fixed (i.e. 4G) with another 35% currently undecided
  - As expected Early Adopters are by far the most interested in 4G and importantly have a higher intention to drop their fixed line if the mobile broadband service meets their expectations
  - The quality / reliability of the connection and data costs are seen as the biggest barriers to adoption
  - Up to 7% of the total sample might consider substituting their fixed broadband connection if a mobile broadband service can deliver equivalent speed and price
  - **And specifically those that indicated that they would definitely drop their fixed line connection if a mobile broadband service can deliver equivalent speed and price, equate to 2% of the total sample**



# Objectives, Methodology And Sampling

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# Scope

- The overall objective was to understand the consumer market for
  - Fixed voice and broadband
  - Mobile voice and broadband

- Specifically:
  - Overall market dynamics
  - Ownership of services / products for each area
  - Attachment to /usage of current services consumed
  - Consumer plans in each area (to adopt and cancel services)
  - Drivers of those plans in each area
  - Identify the potential for further fixed-to-mobile substitution

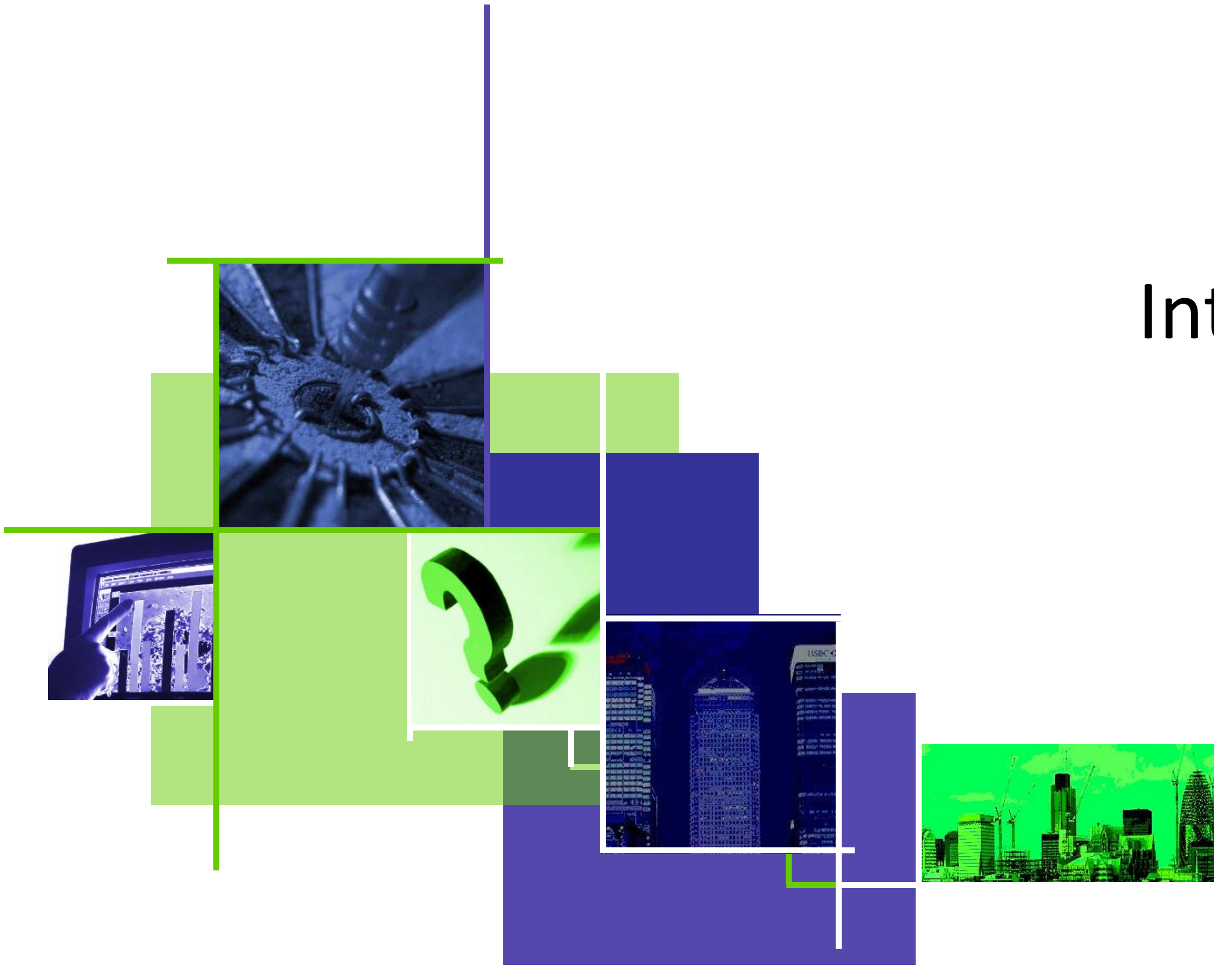
# Research Method

**SAMPLE AND METHOD**

- A mix of online and phone interviews
  - 2557 interviews in total
  - 2334 using online panels
  - 203 by phone (100 offline; 103 mobile only)
- Online sample controlled in field to represent online audience by
  - Region, gender, SEG and age
- Phone interviews to boost coverage of the audiences under-represented in online panels
  - Phone interviews generated from bought-in samples profiled as offline or mobile only by databubble.info

**WEIGHTING**

- Two matrix rim weighting applied based on OFCOM Technology Tracker Q1 2013 data
- All of those online / offline weighted to Ofcom figures based on the Tracker definition in
  - QE7 (QE2). Do you or does anyone in your household have access to the internet/ Worldwide Web at HOME (via any device, e.g. PC, laptop, mobile phone etc.)?
- Then we rebalanced mobile only by weighting those with/without a landline to Ofcom figures based on the definition in Tracker
  - QC1. Is there a landline phone in your home that can be used to make and receive calls?



# Voice And Internet Current Ownership

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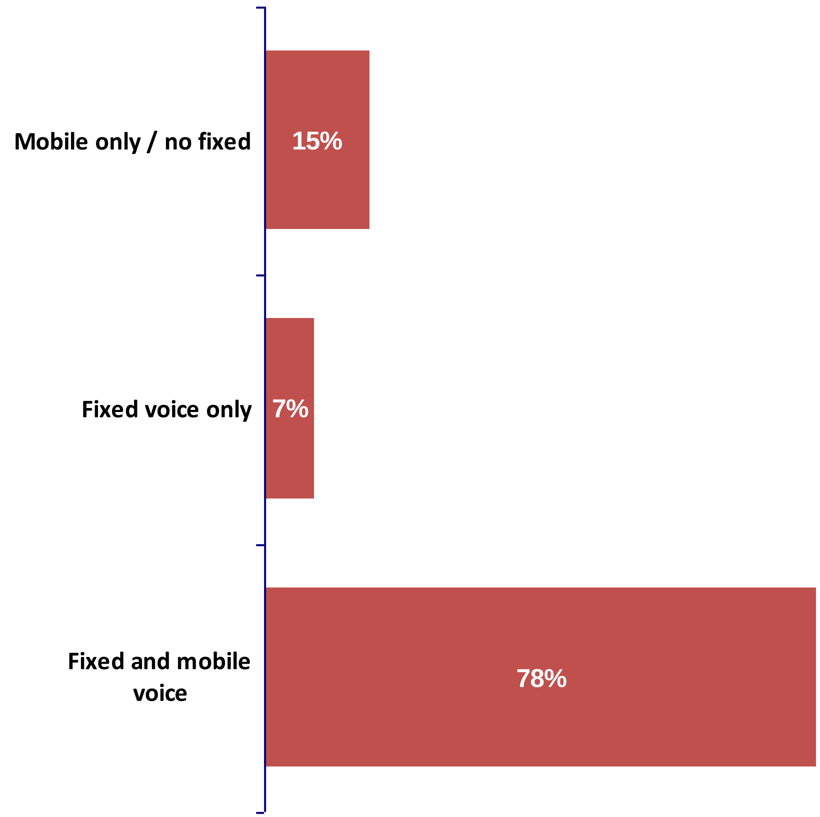
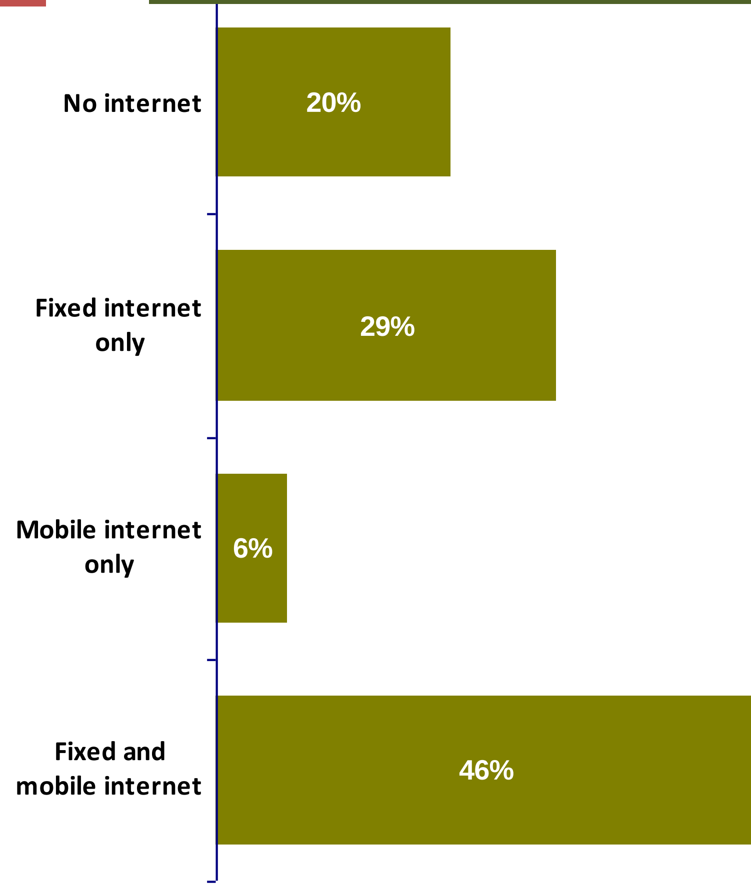
# For voice at total population level – ownership of both fixed and mobile is most common; for internet ownership of both is also most common but by a lower margin

BASE : ALL 18+ ADULTS (2557)

**VOICE PRODUCT OWNERSHIP (ALL 18+)**




**INTERNET PRODUCT OWNERSHIP (ALL 18+)**




Mobile internet = via mobile or dongle and any location. 4% use dongle only

# Those who see themselves as technology leaders choose a combination of fixed and mobile for voice and internet

**BASE : ALL 18+ ADULTS (2557)**

| Voice Ownership | EARLY ADOPTERS | FOLLOWER | LAGGARD |
|---|---|---|---|
| MOBILE VOICE ONLY | 13% | 12% | 17% |
| FIXED VOICE ONLY | 0% | 2% | 5% |
| BOTH (FIXED & MOBILE) | 86% | 86% | 78% |

| Broadband/Internet Ownership | EARLY ADOPTERS | FOLLOWER | LAGGARD |
|---|---|---|---|
| NO INTERNET | 6% | 5% | 16% |
| FIXED INTERNET ONLY | 13% | 28% | 43% |
| MOBILE INTERNET ONLY | 7% | 6% | 6% |
| BOTH (FIXED & MOBILE) | 75% | 61% | 36% |

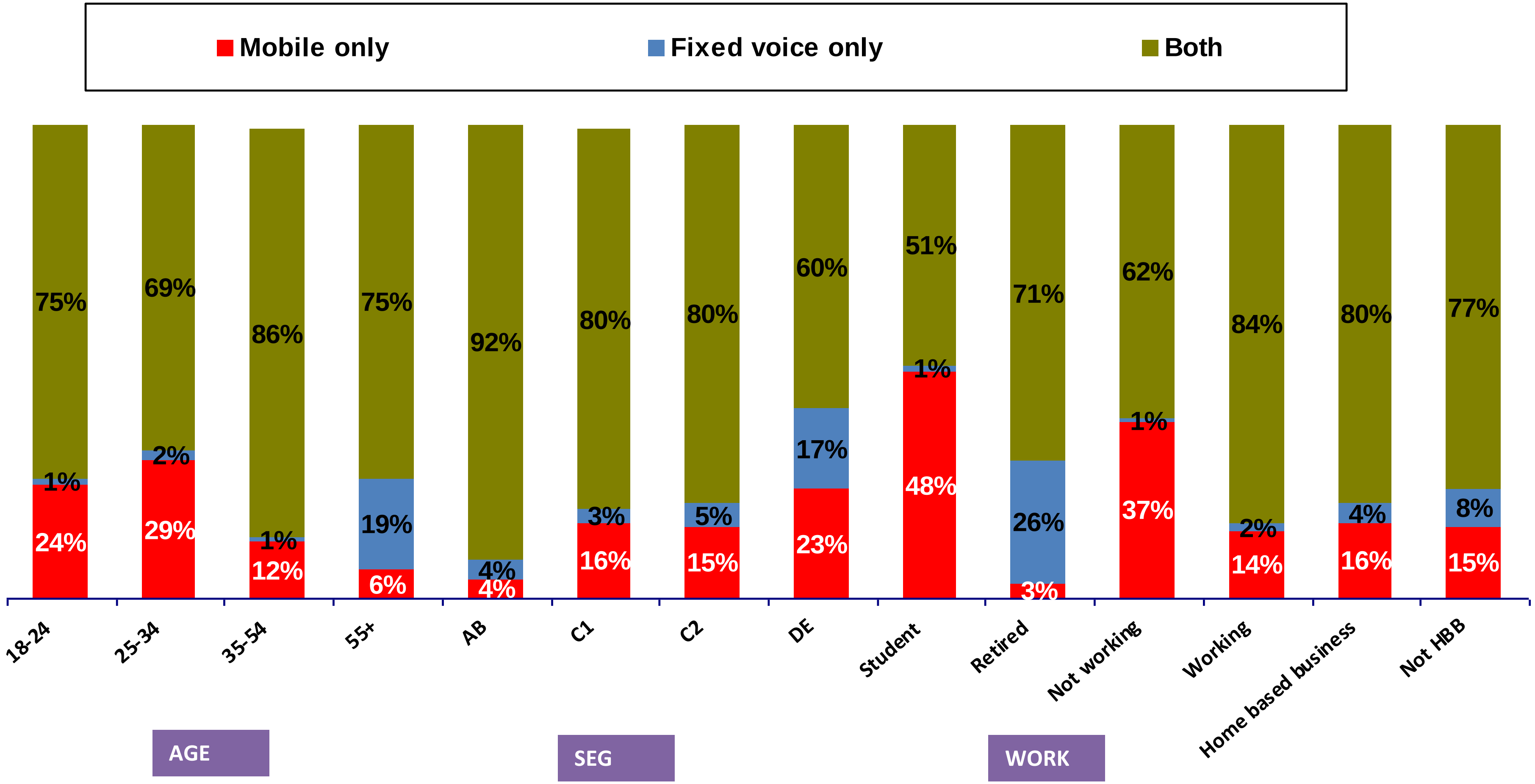
| Ownership of Other Products | EARLY ADOPTERS | FOLLOWER | LAGGARD |
|---|---|---|---|
| SMARTPHONE USER | 93% | 80% | 53% |
| HAVE FIBRE BROADBAND | 46% | 33% | 22% |

Q60. When it comes to new gadgets, technology and toys are you:
1. Are always the one to get them first = EARLY ADOPTERS
2. Like them but don't get them first = FOLLOWER
3. Tend to get them after every one else = LAGGARD

# Most have a combination of fixed and mobile voice – younger / poorer can rely on mobile only and older /poorer can be fixed only

BASE : ALL 18+ (2557)

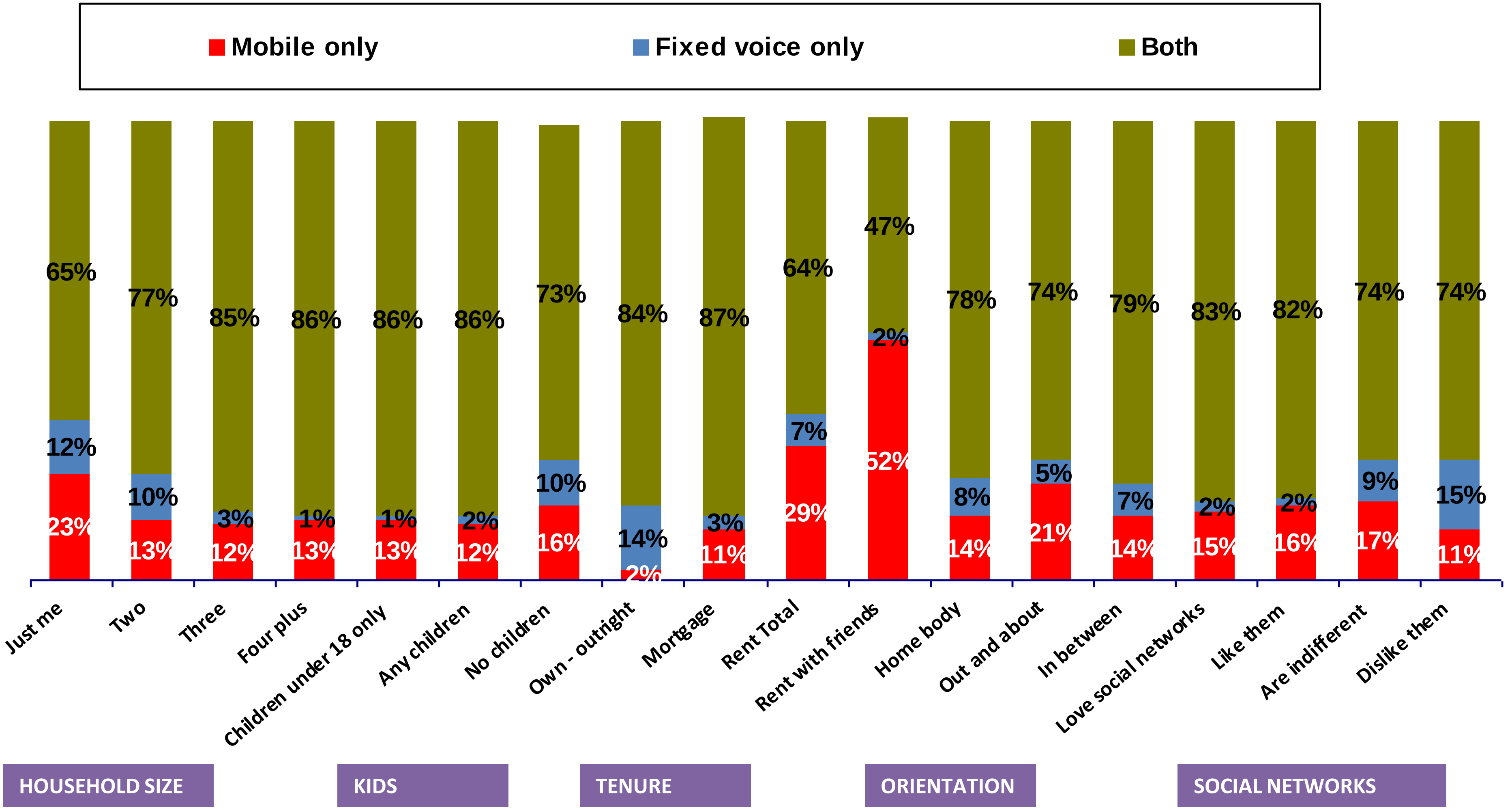
VOICE OWNERSHIP



# Single households and renters are more likely to be mobile only, though most have fixed and mobile voice

BASE : ALL 18+ (2557)

VOICE OWNERSHIP

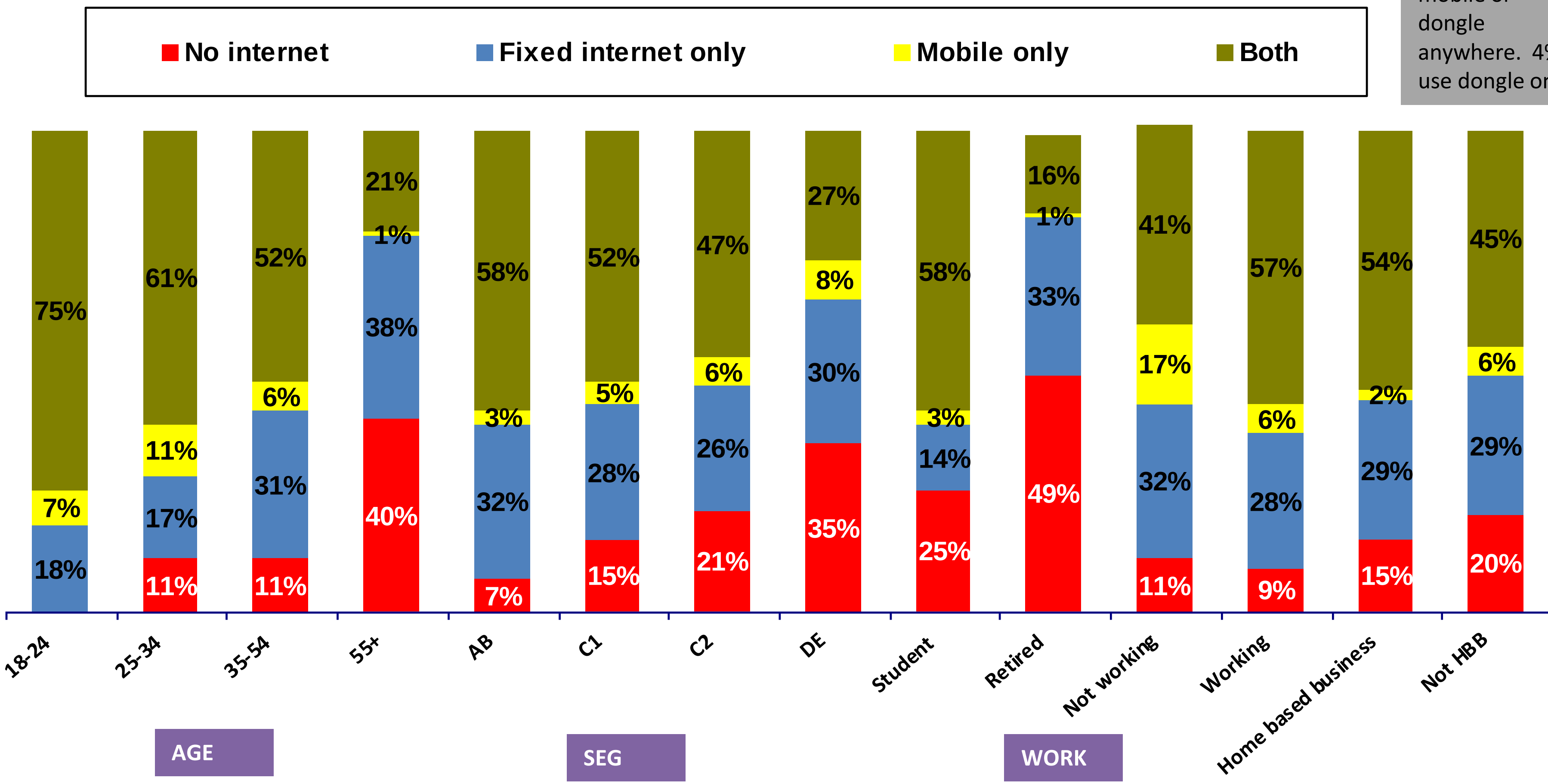


# Most have fixed and mobile internet – those who are older and poorer have neither or rely on fixed only

BASE : ALL 18+ (2557)

INTERNET / BROADBAND OWNERSHIP

Mobile internet here is via mobile or dongle anywhere. 4% use dongle only

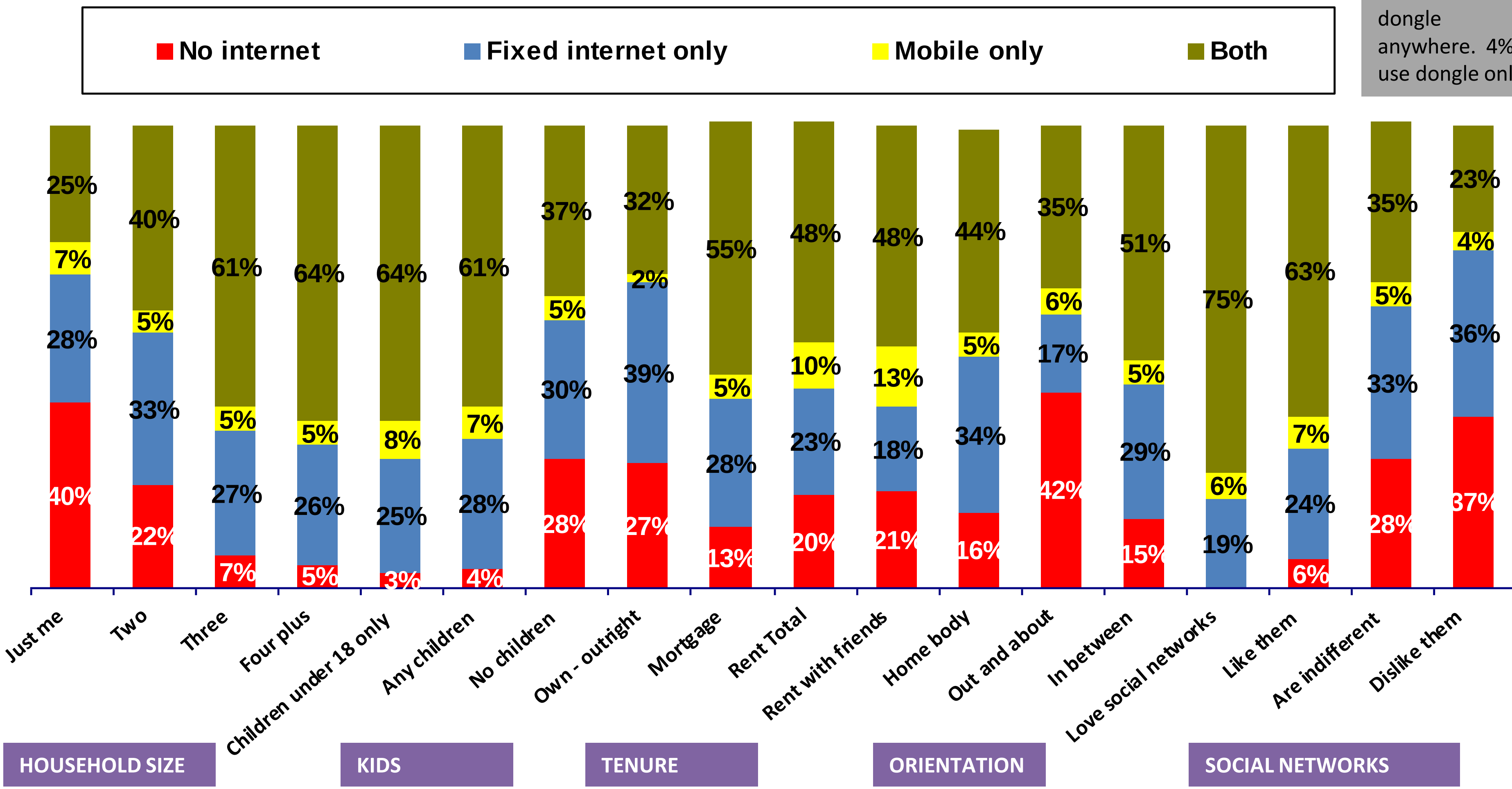


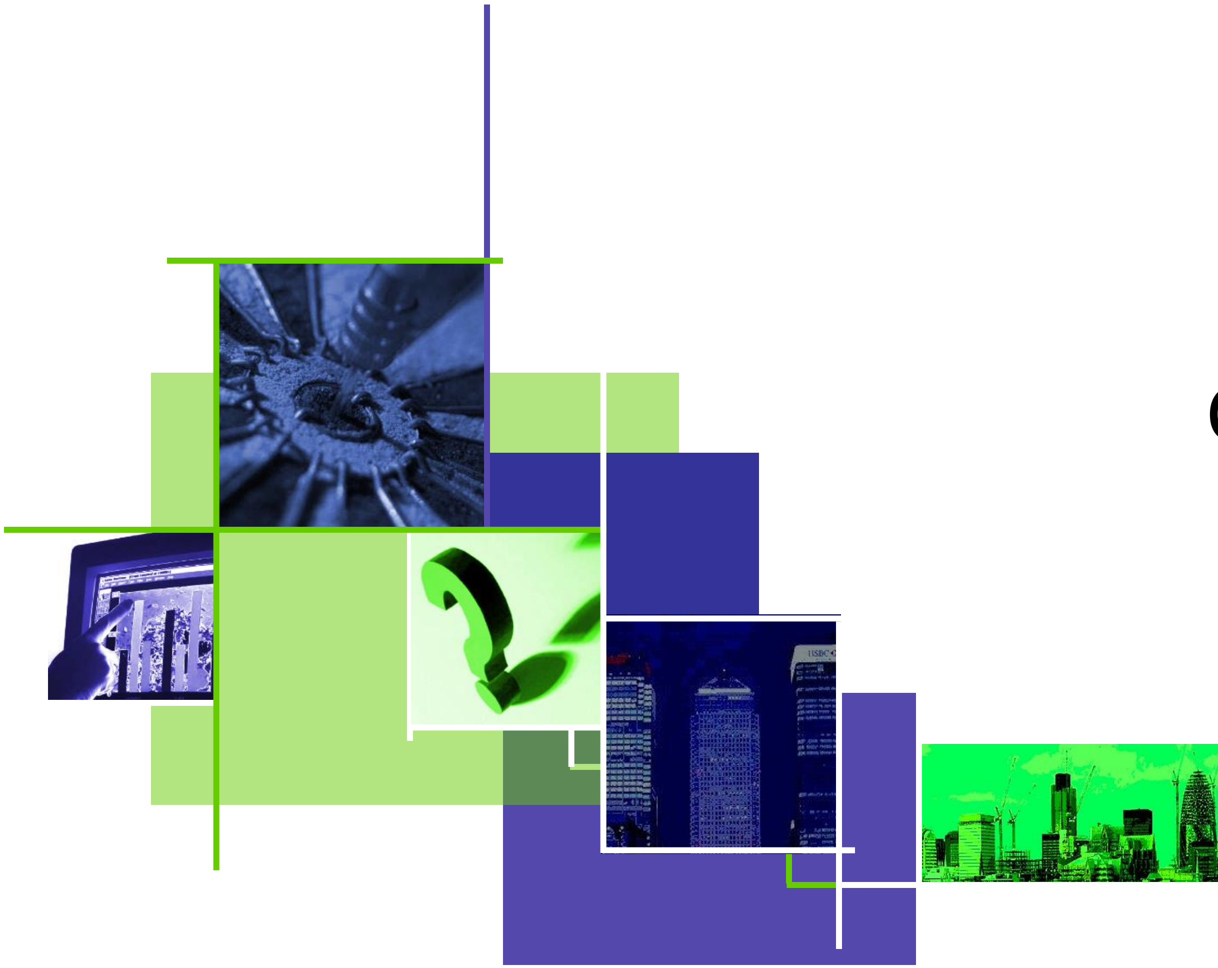
# Single households, those out and about and social network dislikers more likely to have no internet

**BASE : ALL 18+ (2557)**

Mobile internet here is via mobile or dongle anywhere. 4% use dongle only

INTERNET / BROADBAND OWNERSHIP





# Drivers of Adoption & Cancellation

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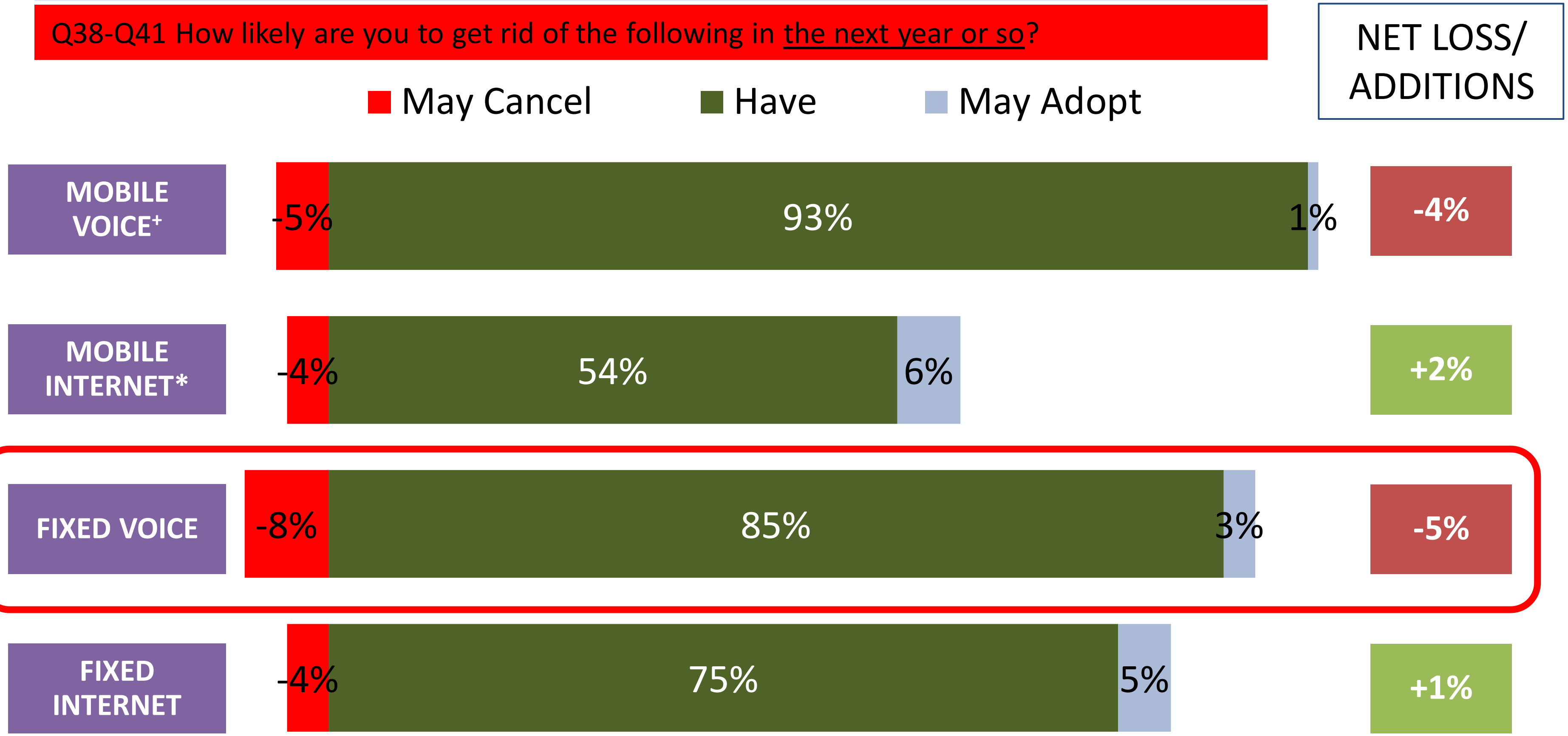
# Potential net decline of 5% in fixed voice ownership based on consumers current intentions

BASE : ALL 18+ ADULTS (2557)

Q26-Q31 How likely are you to take up each of the following in the next year or so ?

Q38-Q41 How likely are you to get rid of the following in the next year or so?

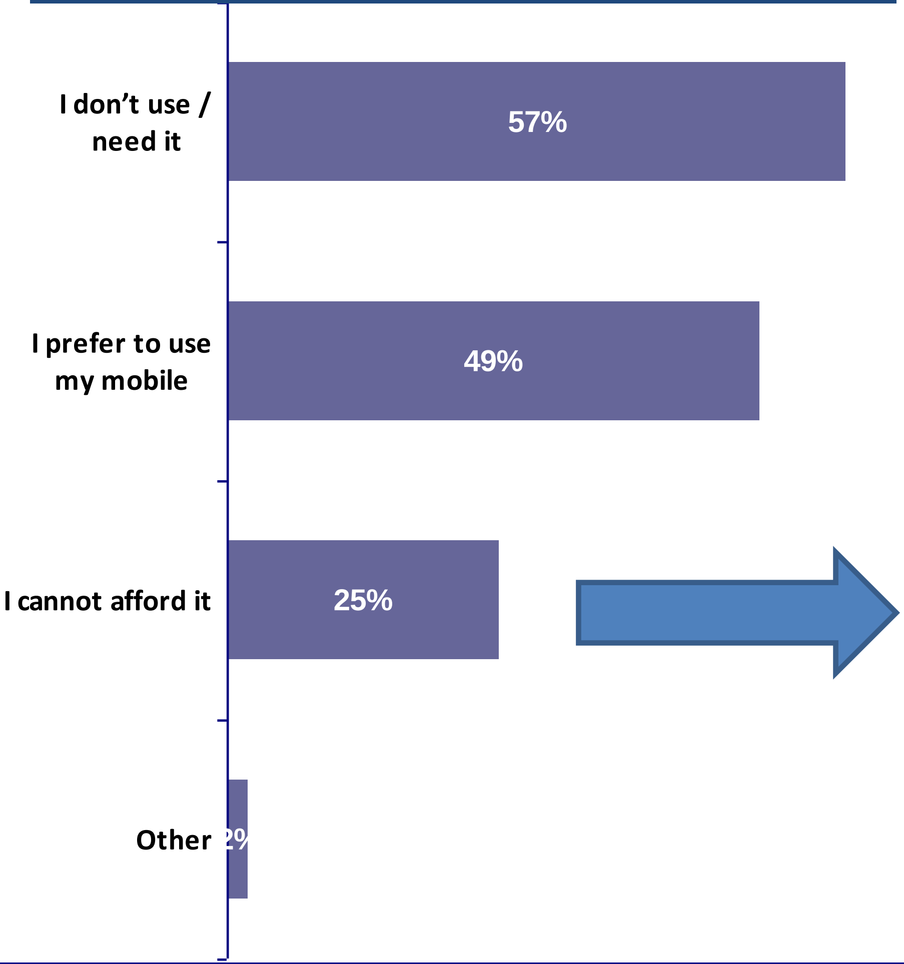



*Connect to the internet using mobile phone or dongle (not wifi). 6% use dongle for internet on mobile network and not wifi.

+Note mobile cancellations adjusted for those mis-answering (meant cancel their current handset not their connection)

# Preference for mobile and lack of use are bigger drivers of potential <u>landline cancellation</u> than affordability

**Q42. Which, if any, of these describes you why might get rid of your landline at home?(221 MAY CANCEL)**

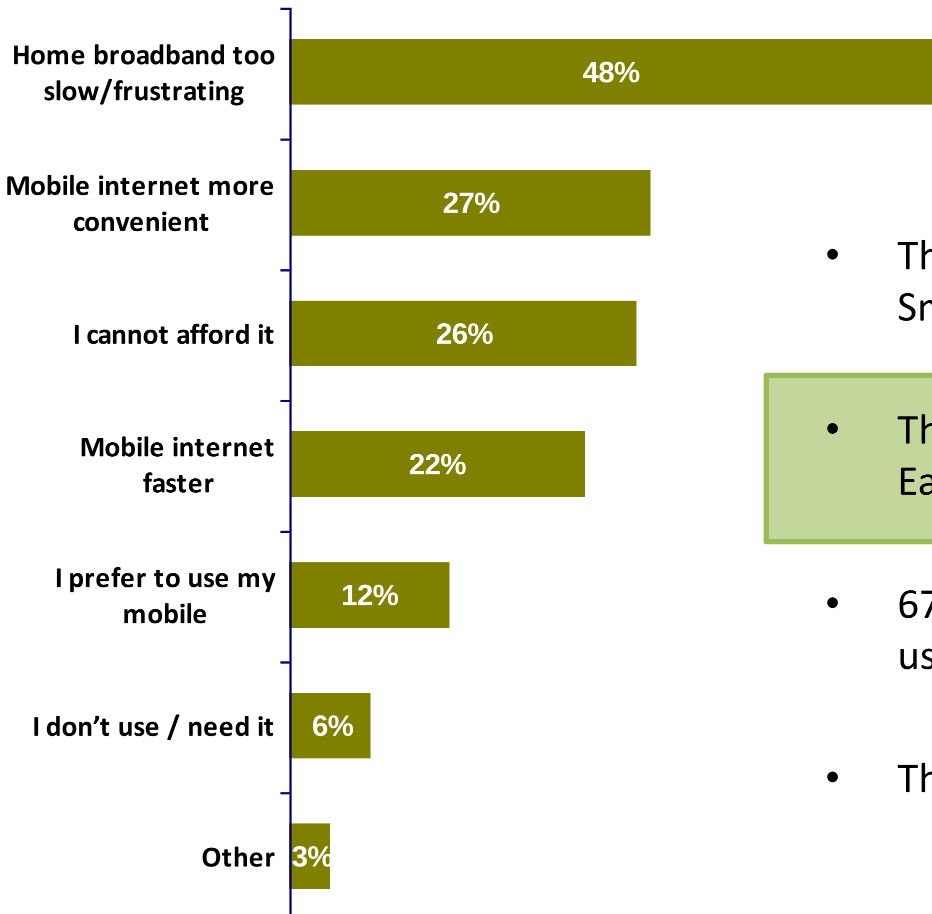



- As a whole, this group are of varying ages, SEGs and household compositions
- Most do have
  - Fixed internet (89%)
  - A mobile (93%)
  - ... and are using mobile internet already (69%)
- They are generally social network likers/lovers (72%)

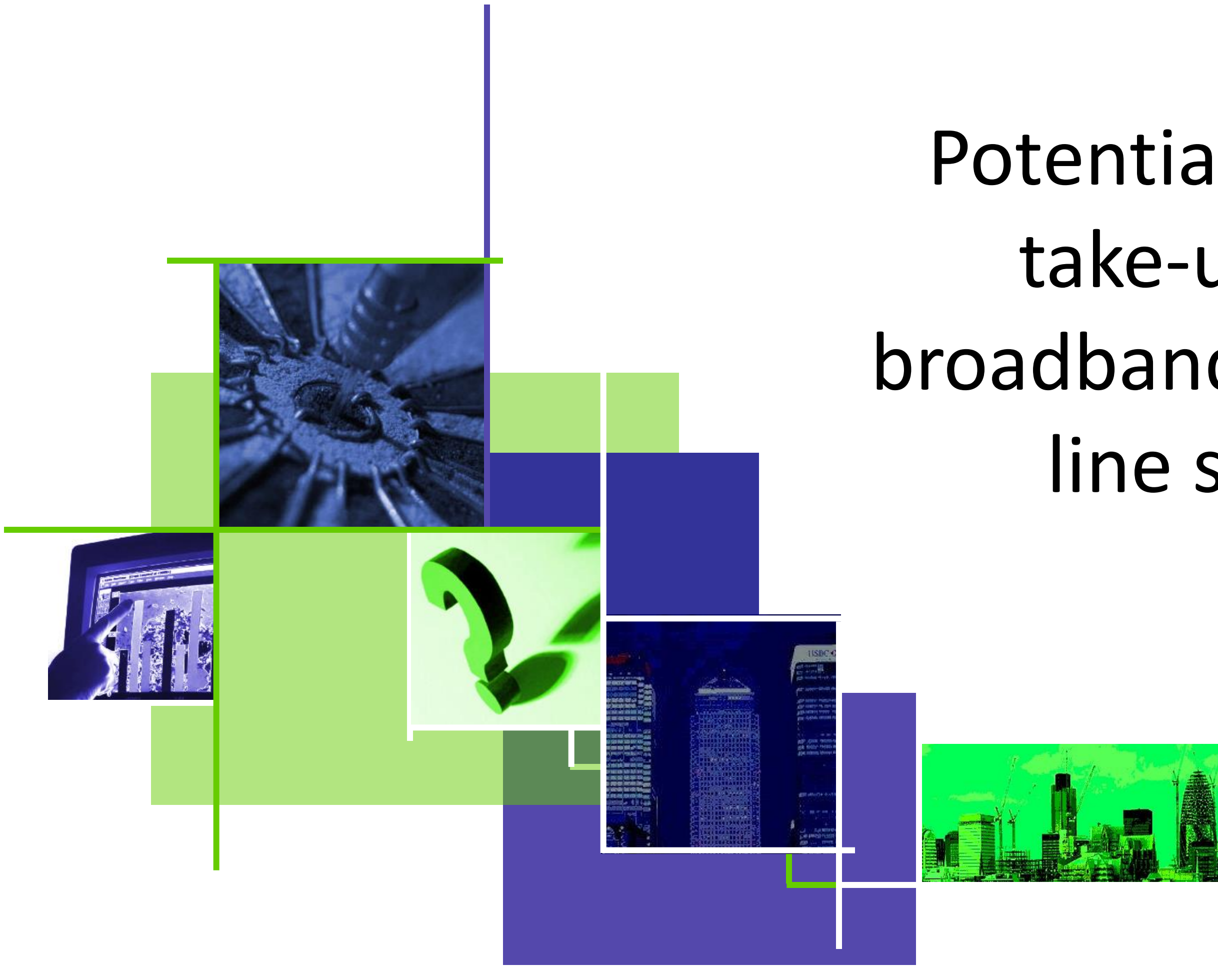
- Those who cannot afford it generally have fixed and mobile voice (78%) as well as internet 80%.
- They are more likely to be DE (49%) and non-working households (55%)

# Those considering <u>cancelling fixed internet</u> often want to go mobile only / substitute

**Q43. Which, if any, of these describes why you might get rid of your home broadband/internet? (112 MAY CANCEL)**




- This group are more male (63%) and have Smartphones (98%)
- They over-index significantly on seeing themselves as Early Adopters (36%)
- 67% are using mobile internet already and most are using internet/email/wifi on mobile (98%)
- They are generally social network likers/lovers (80%)



# Potential Impact of 4G, take-up of Mobile broadband and likely fixed line substitution

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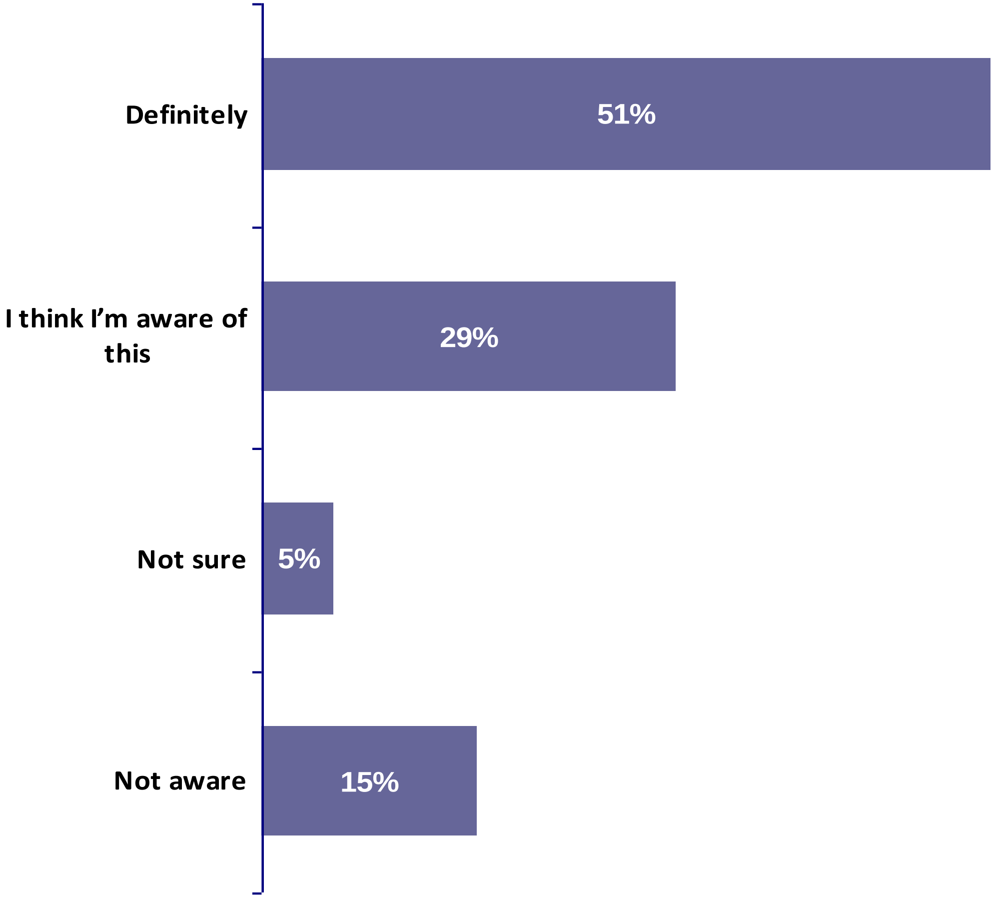
# There is a high level of familiarity with 4G at the moment but there is still some misunderstanding

**BASE : ALL 18+ ADULTS (2557)**

**Q46. Are you aware of 4G this is a new mobile network service that offers higher internet speeds?**

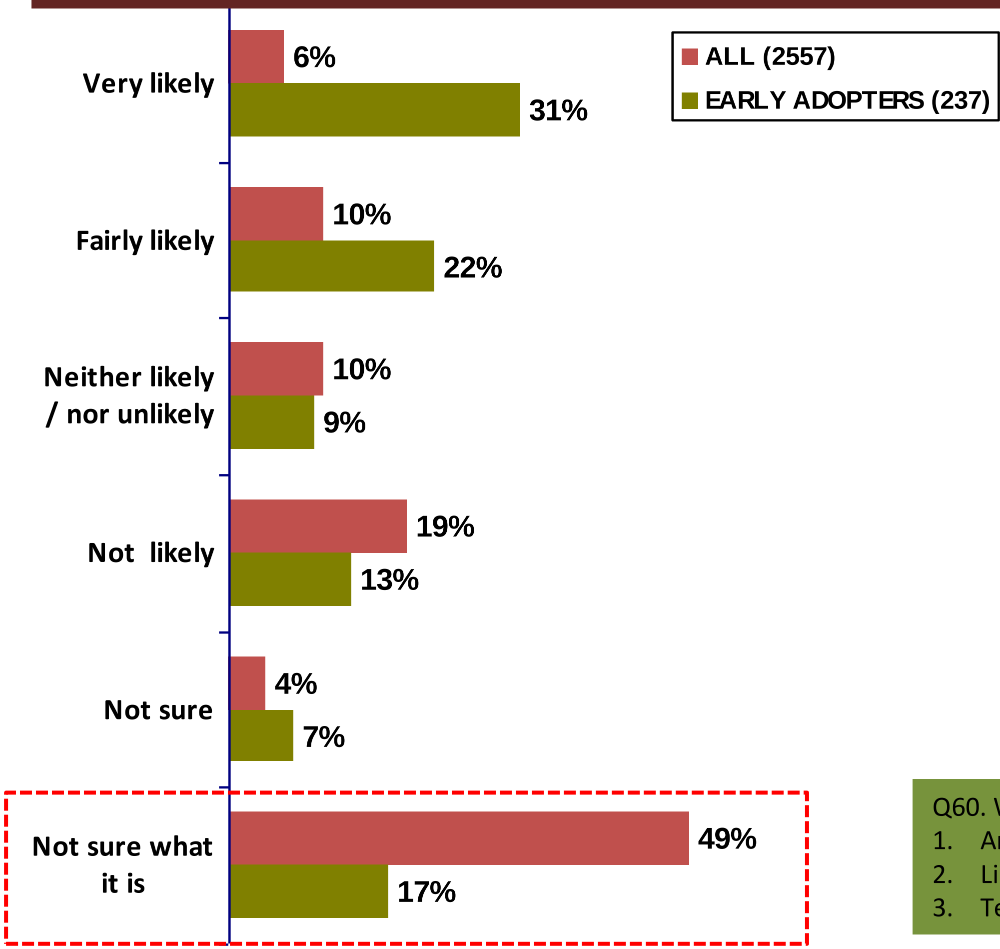



- Awareness is vaguer than implied. Of those that are **definitely aware**
  - Only 56% say EE/Orange and mobile are only providers currently offering it
  - 81% mention them as providers among others
  - 20% mention $O_2$ as currently offering, 18% Voda and 14% 3
- Awareness of 4G highest among younger, affluent, families, social network lovers and lowest among older / less well off

# Though awareness is the biggest barrier to take-up of 4G - Early Adopters already show high interest

**BASE : ALL 18+ ADULTS (2557)**

**Q48. How likely are you to subscribe to 4G?**



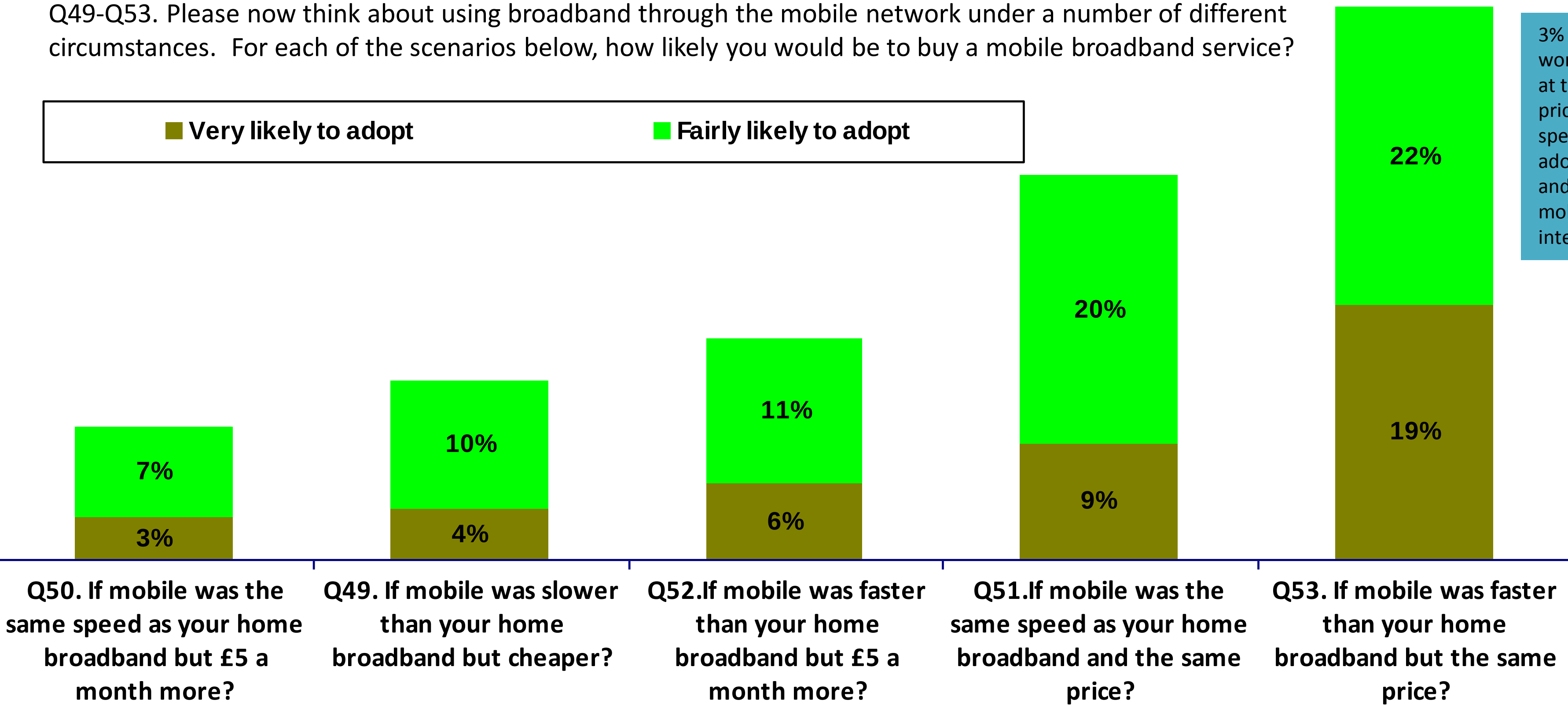

- Overall 16% claim they might take up 4G with another 14% neutral / not sure
- … Making rejecters (19%) a smaller group than Acceptors (30%)
- Those that over-index on likelihood
  - Use mobile internet only (26% might take up)
  - Have mobile and fixed internet (26%)
  - Have fibre at home (24% might take up)

Q60. When it comes to new gadgets, technology and toys are you:
1. Are always the one to get them first = LEADER / EARLY ADOPTERS
2. Like them but don't get them first = FOLLOWER
3. Tend to get them after every one else = LAGGARD

# Up to 29% of broadband users show an interest in a mobile service similar to home broadband offering; this increases to 41% if the mobile broadband service is faster

**BASE : ALL 18+ ADULTS WHO KNOW WHAT HOME INTERNET THEY HAVE (2218)**

Q49-Q53. Please now think about using broadband through the mobile network under a number of different circumstances. For each of the scenarios below, how likely you would be to buy a mobile broadband service?




3% who won't adopt at the same price and speed would adopt slower and cheaper mobile internet

Least interest is paying for equivalent speed to fixed

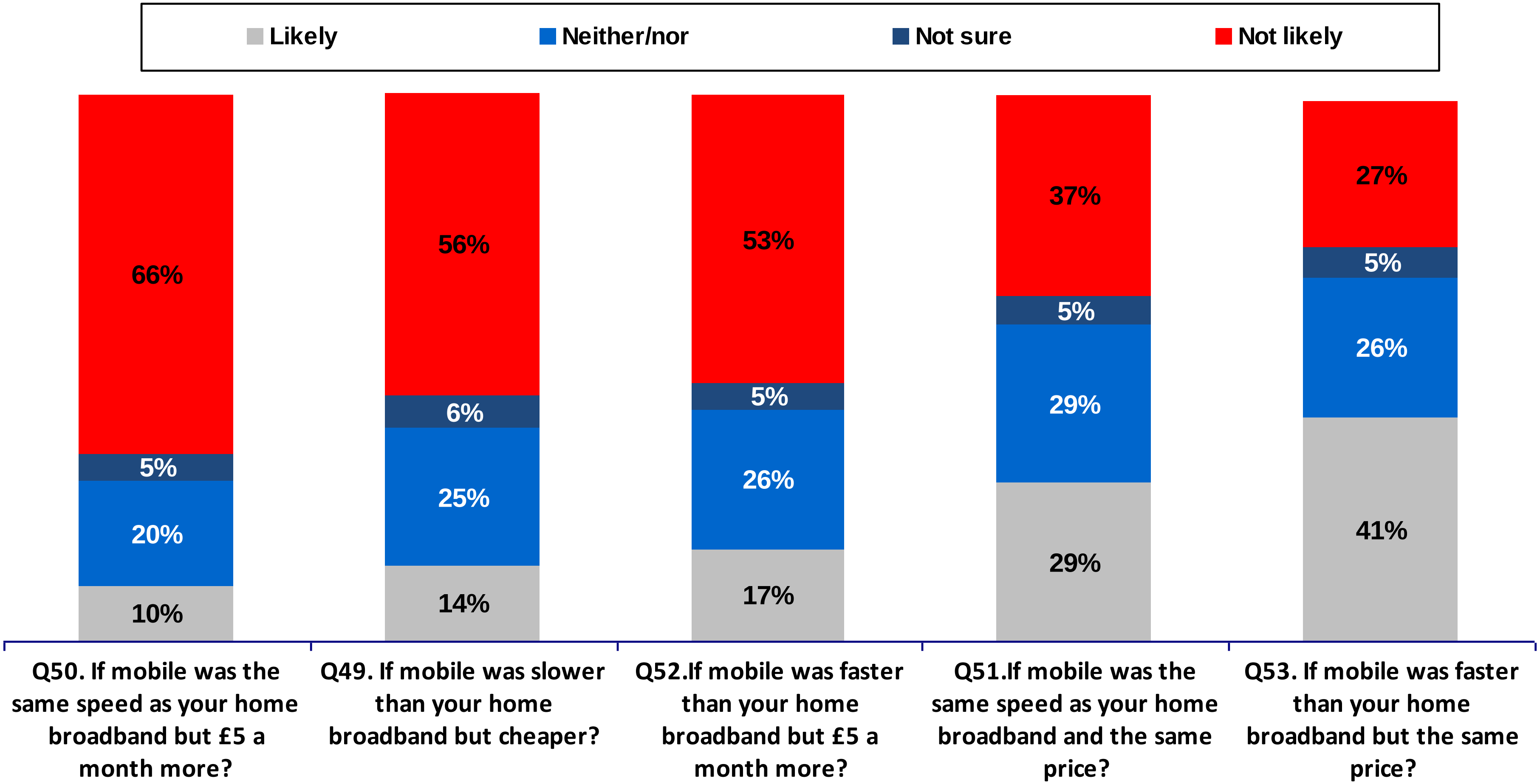
Intermediate interest in paying for increased speed or slower and cheaper

The highest level of interest is for a 4G service equivalent or faster in speed than fixed and at the same price

# Beyond those showing a firm interest in mobile broadband, 25-35% are uncertain and could represent further adoption once they formed an understanding of what it can deliver

BASE : ALL 18+ ADULTS WHO KNOW WHAT HOME INTERNET THEY HAVE (2218)

Q49-Q53. Please now think about using broadband through the mobile network under a number of different circumstances. For each of the scenarios below, how likely you would be to buy a mobile broadband service?



# Those who class themselves as technology leaders have high levels of interest in mobile broadband scenarios and greater willingness to pay

| INTEREST (VERY & FAIRLY) IN MOBILE BROADBAND | EARLY ADOPTERS | FOLLOWER | LAGGARD |
|---|---|---|---|
| Q50 IF SAME SPEED AND £5 MORE THAN FIXED | 32% | 9% | 6% |
| Q49 IF SLOWER BUT CHEAPER THAN FIXED | 28% | 13% | 11% |
| Q52 IF FASTER AND £5 MORE | 44% | 17% | 9% |
| Q51 IF SAME SPEED AND SAME PRICE | 48% | 32% | 20% |
| Q53- IF FASTER AND SAME PRICE | 60% | 46% | 31% |

**BASE : ALL 18+ ADULTS WITH FIXED INTERNET (2218)**

Q60. When it comes to new gadgets, technology and toys are you:

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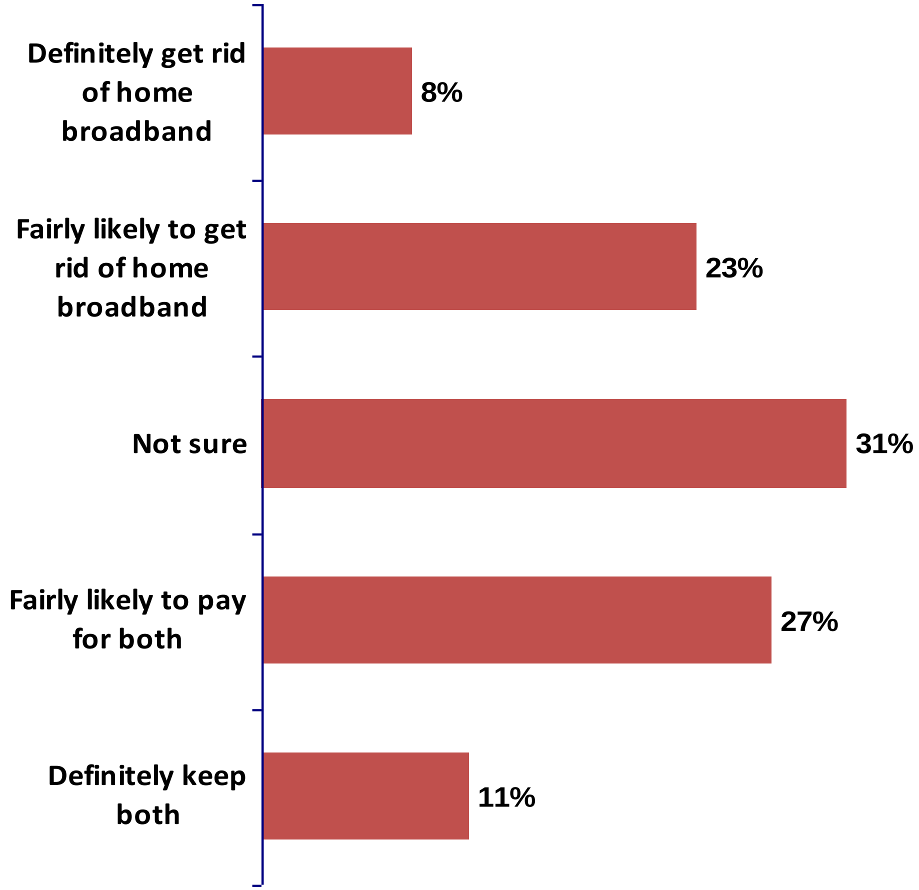
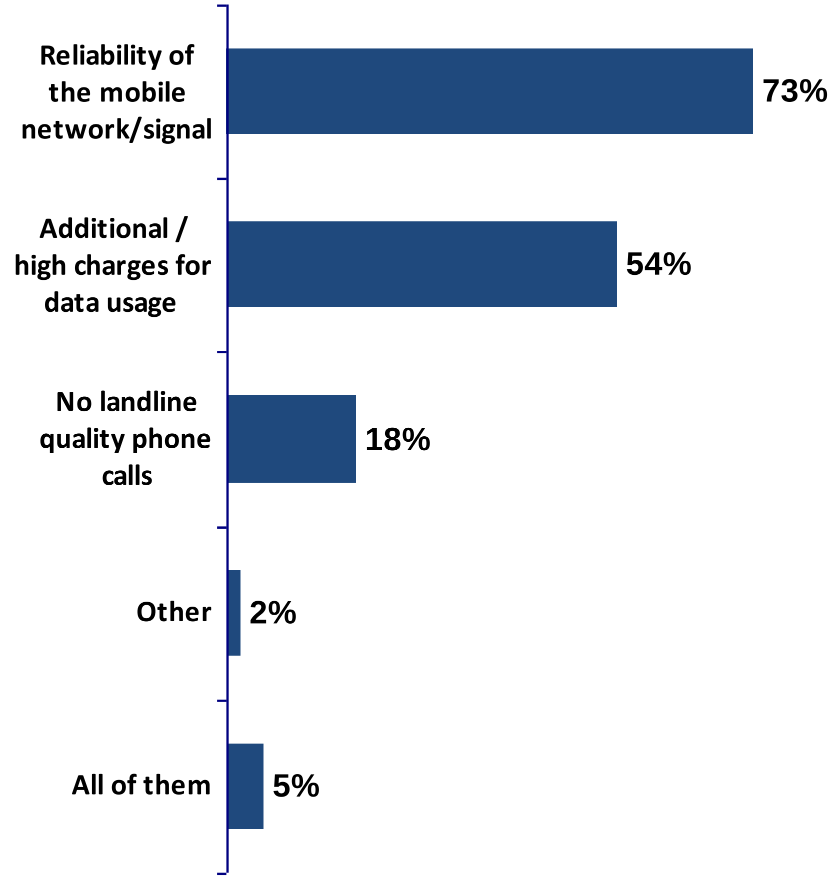
# Almost 1/3 of potential mobile broadband adopters will consider replacing fixed internet though reliability and cost of mobile internet are significant barriers

**Q54A. You indicated that you might consider buying a mobile broadband service. If the mobile broadband service met your needs, would get rid of your home broadband or pay for both services (875)**

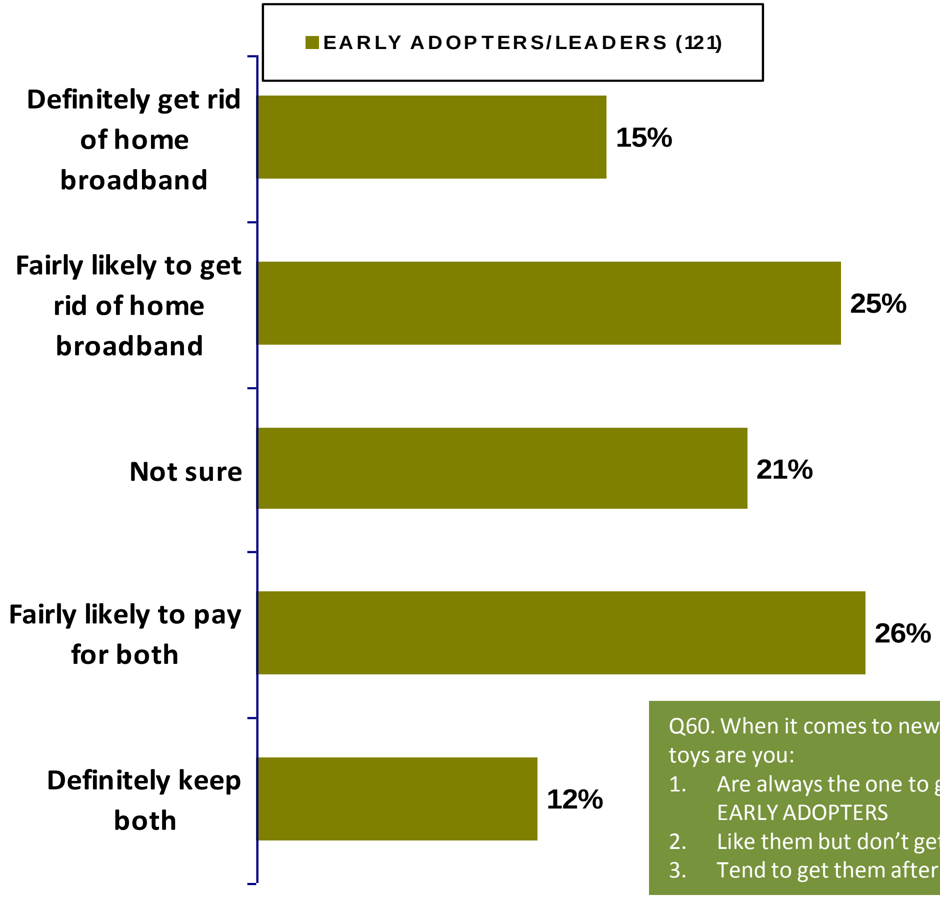



**Q54B. You might swap your home broadband service for mobile broadband - which of these would you consider major reasons for keeping your home broadband service?(266)**

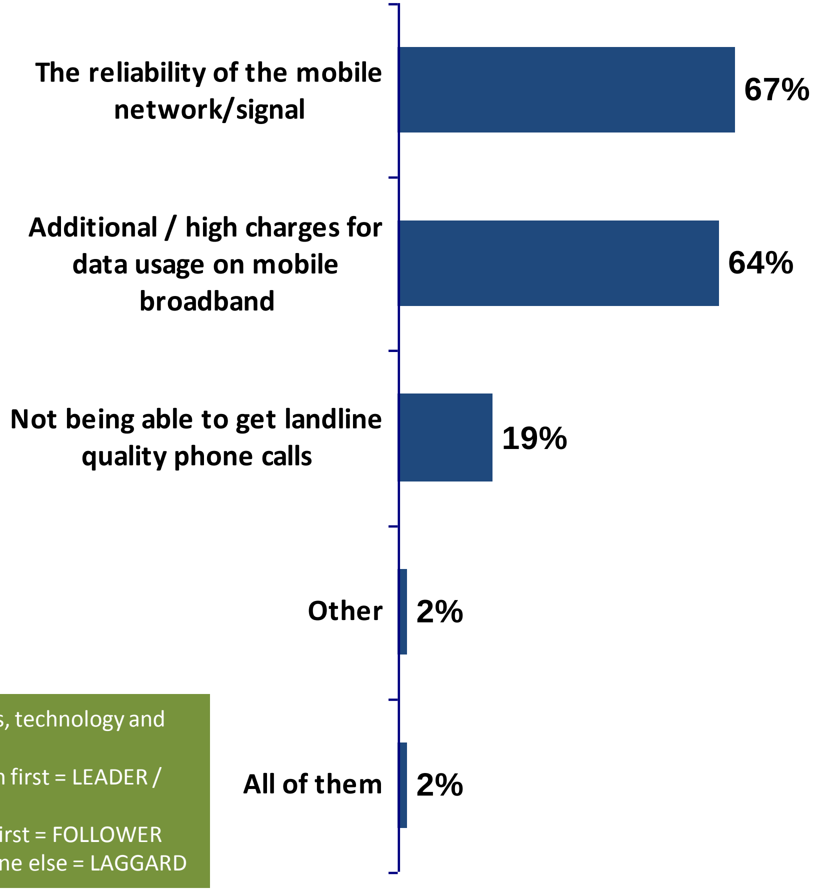


# 40% of Early Adopters that might take up mobile broadband, will consider replacing fixed internet - only 38% think they would keep it

**Q54A. You indicated that you might consider buying a mobile broadband service. If the mobile broadband service met your needs, would get rid of your home broadband or pay for both services (121)**




**Q54B. You might swap your home broadband service for mobile broadband - which of these would you consider major reasons for keeping your home broadband service? (NOTE SMALL BASE 47)**

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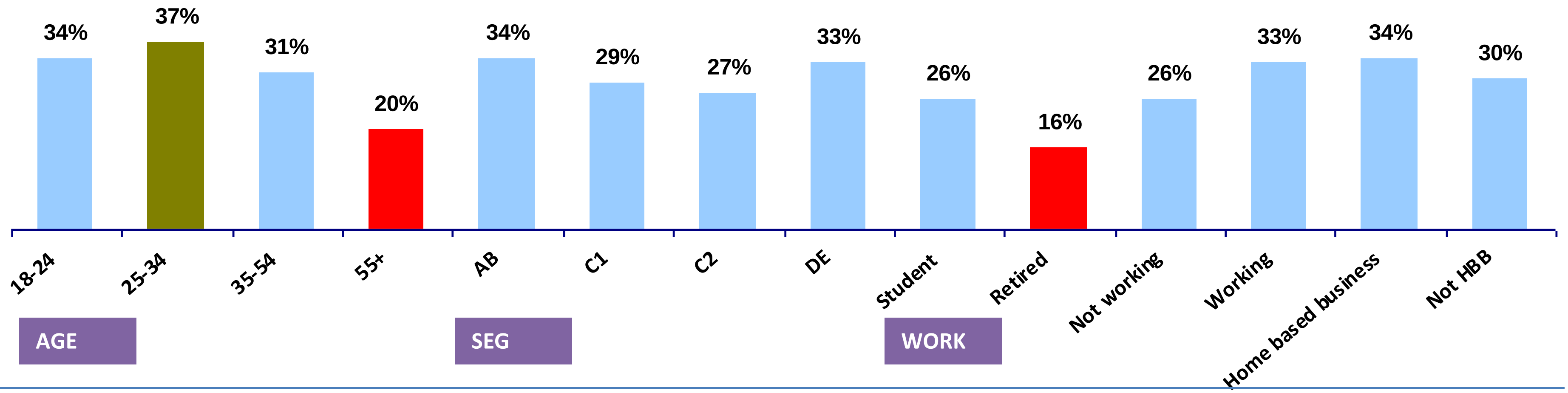
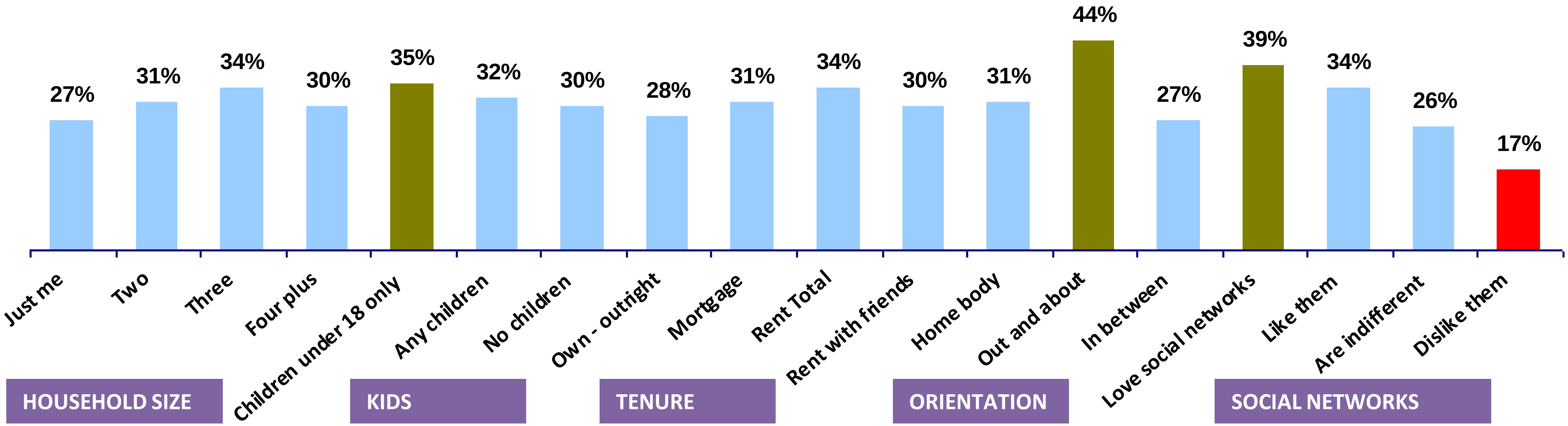
# Among those who may adopt mobile broadband - gregarious, social networkers and young families are most likely to substitute their fixed line

**BASE : ALL 18+ ADULTS THAT MIGHT ADOPT MOBILE BB (875)**

Q54a. Very /fairly likely to substitute fixed with mobile?



# 15% mobile only already, another 7-10% vulnerable where mobile internet matches/exceeds fixed offering

**BASE : ALL 18+ ADULTS WHO KNOW WHAT HOME INTERNET THEY HAVE**

| | THOSE WHO COULD ADOPT UNDER THIS SCENARIO | THOSE WHO COULD SUBSTITUTE UNDER THIS SCENARIO | NETS ADDITIONS TO MOBILE ONLY increment of 0.75= those with fixed internet* |
|---|---|---|---|
| | Total Likely | Total Likely | **Fixed Broadband users that are Vulnerable to substitute to Mobile** |
| **Q50. if mobile was the same speed as your home broadband but £5 a month more?** | 10% | 44% | **+3% (=10% x 44% x 75%)** |
| **Q49. if mobile was slower than your home broadband but cheaper** | 13% | 38% | **+4% (=13% x 38% x 75%)** |
| **Q52. if mobile was faster than your home broadband but £5 a month more?** | 16% | 41% | **+5% (=16% x 41% x 75%)** |
| **Q51. if mobile was the same speed as your home broadband and the same price?** | 29% | 32% | **+7% (=29% x 32% x 75%)** |
| **Q53. if mobile was faster than your home broadband but the same price?** | 41% | 31% | **+10% (=41% x 31% x 75%)** |

**Question only asked to those respondents who have fixed broadband, results needs to be multiplied by % of respondents with fixed broadband (75%) in order to size impact at a total sample level*