



Consumer Experience Research Annex 4

Consumer Decision-Making in the Telecoms Market

Report on research findings

Research Annex

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Section 1

Introduction

1.1 Background and objectives

This Communications Market Special Report is intended to provide evidence-based support for the objectives and priorities that will drive Ofcom's consumer policy over the next 18-24 months. It is also consistent with Ofcom's principal statutory duty, namely to further the interests of citizens in relation to communications matters and to further the interests of consumers by promoting competition, where appropriate. For Ofcom to promote consumer interests, the starting point must be effective decision-making by consumers themselves – if consumer decisions are constrained, or if consumers are opting out of decision-making altogether, there is potentially an opportunity for the market to respond better to consumer needs.

In understanding how best to ensure that consumers are active participants in the telecoms markets - making rational, information-based decisions about what they need and what supplier to use - Ofcom must, among other things, have regard to the way in which consumers make decisions regarding their telecommunications services. Of particular interest is the need to better understand the extent of consumer non-participation, why it has arisen and what, if anything, can/should be done about it.

This new research explores the 'how' and 'why' that underpins consumer behaviour when it comes to evaluating, selecting or switching telecoms suppliers – focusing on the factors that encourage or discourage activity in these markets and the role of/reliance on information in the decision-making process.

The objectives of this report are to:

- build an over-arching picture of the degree of “participation” in the telecoms market (in terms of past, current and future behaviour with regard to evaluating, selecting or switching telecoms suppliers);
- understand factors that are influencing this behaviour; and
- identify areas where needs may not be currently met and summarise opportunities and challenges to facilitating participation in these markets.

The three telecoms markets covered in this research include fixed line, mobile phone and internet services.

1.2 Research Methodology

There were two phases to the research approach; an initial qualitative study to identify how consumers are participating in the markets addressed by the research and to develop hypotheses for the influencers on these behaviours, followed by a large-scale quantitative study to validate these findings and to determine, through statistical analysis, the key drivers of behaviour.

The qualitative research involved interviews with 87 consumers covering a wide range of profiles from across the four nations of the UK, who were engaged through a range of in-depth qualitative methods. The study was conducted for Ofcom by the research agency SHM, and fieldwork took place March / April 2006.

The quantitative research consisted of a total of 1500 interviews with 500 decision-makers in each of the three markets identified (fixed line, mobile phone and internet services). The data was weighted to ensure that it was representative of each market by age, by socio-economic grouping and also by service provider. The study was conducted for Ofcom by the research agency Jigsaw Research, and fieldwork took place from 1 to 28 June 2006.

Full details of the research methodology can be found at the end of this report.

Significance testing at the 95% confidence level was carried out on the results reported here. Where findings are reported as 'significant', this is what is being referred to.

1.5 Structure of Report

This report focuses on behaviour in the fixed line, mobile phone and internet markets among UK consumers.

Section 2 seeks to define what "participation" in these markets means, a critical first step in explaining what drives behaviour. It identifies a need to understand participation from the *consumer's* perspective and move beyond a discussion of past switching behaviour to include other types of participation, acknowledging that past as well as current and future behaviour indicate different types of activity.

Sections 3, 4 and 5 review the fixed line, mobile phone and internet markets in turn. Each section:

- paints a broad overview of consumer participation in the relevant market based on past, present and future dimensions of activity;
- introduces the various influences on decision-making that determine both whether consumers participate and how they do so, considering both the factors that encourage and the factors that discourage participation (i.e. the benefit and the drawbacks of participating);
- identifies which of these dimensions ultimately drive behaviour.

Section 6 compares the levels of participation and the key drivers of participation across the three markets, in order to establish the degree of commonality between them and the possibility for taking an overall telecoms market perspective.

Section 7 considers the role of consumer information in the decision-making process.

Section 8 looks at potential opportunities to promote effective decision-making and encourage participation by considering the impact of various market interventions on likely future behaviour.

Section 2

Executive Summary

The research commissioned as part of this report highlights wide-ranging differences in ‘how’ and ‘why’ consumers are participating in the telecoms markets.

At the highest level, the research shows that there is a widespread lack of interest in telecoms services as a category: consumers tend to have a functional relationship with their telecoms services and don't therefore place a great importance on the service per se. If the personal investment in the outcome is limited, there will be limited engagement in the decision-making process and this will tend to inhibit consumers from becoming heavily involved in negotiating all the choices available to them within a market.

In this context, the decision to participate becomes a trade-off between the expected potential benefits of the shopping outcome and the expected procedural and/or psychological drawbacks associated with the process.

A consumer's estimate of the potential benefits of shopping depends on:

- their estimate of the amount of differentiation in the market on the criteria that are important to them; and
- their estimate of the performance of their current service compared to alternative suppliers on these criteria.

Ultimately, there is potential benefit in the outcome of shopping if the consumer perceives that there are better alternatives available on the aspects of their service that matter to them. However, the decision to shop rests on a comparison of the expected potential benefit and the expected potential drawbacks of the process.

A consumer's estimate of the potential drawbacks of shopping depends on:

- their estimate of the practical and/or psychological difficulties associated with shopping
- their estimate of the practical and/or psychological difficulties associated with switching
- the way they approach the shopping process (i.e. their level of knowledge and confidence in the category, their aversion to risk, their patience with the process).

Understanding the nature and extent of “participation” in the telecoms market

A key factor to consider when defining participation is that shopping does not always lead to the discovery of a new or better service if these expectations are not proven in reality. For example, the shopping process can stall if there proves to be very little differentiation in the market on key criteria or the current supplier proves to be the best available on comparison with other options. The shopping process can also stall if the process is more onerous than anticipated.

The other important conclusion from the research is that choosing a new service does not necessarily mean switching provider. In some instances, consumers selected a different service from their existing provider – as, for instance, when they switched from one mobile tariff plan to another, or upgraded to a higher speed internet connection – and sometimes shopped with the explicit intention of asking their current supplier to match a desirable deal.

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While actual switching behaviour is an important measure of participation in the telecoms market, the decision to engage in co-ordinated information gathering that will support the decision to switch or to stay is equally as important as the outcome itself.

In order to develop a holistic understanding of participation in the telecoms market, it is therefore necessary to consider a range of different types of decision-making, based not only in the past but also in the present and in the future.

By taking all the various aspects of consumer behaviour into account across different snapshots in time, four 'participation' segments emerge which are common across all three telecoms markets.

- Inactive consumers – have had *no past involvement* at all other than possibly thinking about getting involved (though this does not translate into shopping) and have *low interest in the market*. They do not keep up-to-date with the market or have plans to make any changes to their service in the future.
- Passive consumers – *may have had some past involvement* in terms of either shopping, switching or changing some element of their package, they also either indicated *some current interest* in the market, and/or were *not averse to changing* an aspect of their service in the future.
- Interested consumers – while *broadly similar to passive* consumers in terms of their past behaviour and future intentions, as their name suggests they are *more likely to keep an eye on the market*, looking out for better deals. It would be reasonable to suggest that their increased interest in the market means that this group are more likely than passive consumers to act on their future intentions.
- Engaged consumers – *the most active group* in terms of past behaviour, interest in the market and future switching intentions.

Looking at the extent of consumer participation across the three telecoms markets on this basis, the research shows that while some consumers have not even considered changing their supplier in the past four years, they are 'participating' in other ways:

- in the fixed line market, while 52% have not switched supplier in the past four years, only 28% are inactive based on the broader definition of participation;
- in the mobile phone market, while 51% have not switched network supplier in the past four years, only 31% are inactive based on the broader definition of participation;
- in the internet market, while 46% have not switched ISP in the past four years, only 23% are inactive based on the broader definition of participation.

From this it is also clear that the internet market demonstrates the greatest degree of activity: 24% of internet consumers fall within the engaged segment compared to 20% in the mobile phone market and 18% in the fixed line market. The next question that emerges is 'what drives the decision to participate or not?'

Understanding the factors that drive decision-making behaviour

The key factors driving non-participation represent the main challenges to encouraging more active engagement in decision-making. Analysis shows that these are quite different in each market:

- in the fixed line market, inertia (reluctance to leave a trusted supplier for one that is unknown, fear of something going wrong in the transition, or reluctance to lose a particular deal or package) and lack of perceived differentiation in the market are the key obstacles to participation;
- in the mobile phone market both inertia and lack of perceived differentiation play a part but consumers are also discouraged by the perceived effort involved in the shopping process (the hassle involved is a major deterrent, specifically in terms of the time required to research all options, the difficulty comparing suppliers and not knowing where to find trusted information. There also appear to be confidence issues - concerns about not knowing enough, being out-of-date and not knowing how to make the right choice); and
- in the internet market the hassle of the shopping process itself is also a key barrier (specifically in terms of the amount of time needed to consider all the options, not knowing how to compare between options and not knowing where to find trusted information) but the main factor is that consumers are basically satisfied with their existing ISP.
- The key factors that drive participation in each market show more similarities:
- two key factors encourage participation across all three markets and these are interest in technology (consumers like to buy cutting edge technology and are keen to spend time investigating all options) and interest in securing a good price/deal (*value* is an aspect of this in the mobile phone market);
- the other factor that is relevant particularly for the fixed line market but also the internet market is bundling.

Summarising the opportunities and challenges to facilitating participation

In summary, the evidence suggests that in the face of complexity and lack of market differentiation (perceived or actual), inactive consumers are adopting fallback, risk-averse strategies and will stay with what they know and trust, even though it might not be the 'best' option.

The key opportunities for furthering participation in the telecoms market revolve around influencing these key drivers since these are the most 'sensitive' factors in the market, as identified in the research. Specifically, efforts in terms of making the decision-making process easier to go through (e.g. facilitating quick and easy comparison of all suppliers/options), allaying fears regarding the potential risks associated with switching services (e.g. ensuring switching with no loss of service), or convincing consumers of the tangible benefits of any new service over and above their existing set-up.

Section 3

A Model for Participation in the Consumer Telecoms Markets

This section seeks to understand what “participation” means in the three telecoms markets under consideration.

The first sub-section in this chapter (3.1) discusses the key outcomes of the qualitative research, which identified a need to move beyond a discussion of past switching behaviour to include other types of participation.

The second sub-section (3.2) discusses the metrics that were subsequently included in the quantitative research to identify the types of activity occurring across different snapshots in time and introduces the model that was used to establish the overall level of participation in each market.

3.1 Defining participation in the telecoms market

The research identified two types of decision that need to be included in any account of participation in the telecoms market:

- the decision to switch to a new supplier or stay with an existing supplier, perhaps with a re-negotiated tariff or on a new package; and
- the decision to *consider* switching supplier, or changing an existing package, and to engage in coordinated information gathering that will support the decision to switch or to stay.

Reflecting the language used by consumers, the decision to begin the process of information gathering can be described as the decision to ‘shop’, the actual information-gathering process itself can be described as ‘shopping’ and the ultimate decision to switch or to stay might be referred to as the ‘shopping outcome’.

In terms of shopping outcomes, the other important conclusion from the research is that choosing a new service does not necessarily mean switching provider. In some instances, consumers selected a different service from their existing provider – as, for instance, when they switched from one mobile tariff plan to another, or upgraded to a higher speed internet connection.

The research indicates that some consumers are increasingly aware of the possibility of negotiating with their existing provider and shop with the explicit intention of contacting the retentions team of their existing provider. This practice was most common among knowledgeable consumers in the mobile market but seemed to be becoming more widespread in other markets.

The other factor to consider when defining participation is that shopping does not always lead to the discovery of a new or better service. The shopping process did not always result in any change if the consumer came to the conclusion that i) there was not enough differentiation in the market on things that mattered to them or ii) their existing service was, after all, one of the best available. The shopping process was also likely to stall if the consumer discovered that the process was more onerous than they anticipated – for

instance, if the process was particularly time-consuming, or if the consumer was made to feel inadequate by their lack of knowledge or not knowing what questions to ask.

Both these scenarios led some consumers to give up shopping without making any changes to their service. However, this does not necessarily mean that the consumer does not have the 'best' deal. A consumer who believes that there must be better deals available from other providers and shops around, only to find that they already have the best deal, may end up annoyed by the lack of choice and irritated by the time they have wasted – but they will still have the 'best' deal.

It follows from this that while past switching behaviour is an important measure of participation in the telecoms market, there are other types of participation that are based on informed and rational decision-making.

The research also shows that at any one point in time, there are consumers who are in the middle of this process, i.e. they have not yet reached the point of making a final decision on whether to switch or to stay but they are either in the middle of shopping or are planning to shop at some point in future. In other words, different snapshots in time will indicate different types of activity in the market. In order to develop a holistic understanding of participation in the telecoms market, it is therefore necessary to consider a range of different types of decision-making based not only in the past but also in the present and in the future.

Note: using market research to predict future intentions is difficult, particularly when this behaviour is dependant on circumstances. Not all of these consumers will follow through with their intentions.

Based on the different types of consumer participation identified in the qualitative research, the following behavioural elements were used as the basis for exploring the extent and nature of consumer participation in the UK telecoms market in the quantitative research:

Measures of past decision-making behaviour

- Whether changed supplier in the last four years
- If not changed, whether considered changing supplier in the last four years
- If considered changing supplier in the last four years, whether actively starting looking for an alternative
- Whether changed tariff or deal with current supplier (including upgrades to connection speed for internet market)
- Whether asked current supplier to match a better deal from another supplier

Measures of current decision-making behaviour

- Whether make conscious effort to keep up-to-date with what other suppliers are offering
- Whether always on the look-out for a better deal

Measures of future decision-making behaviour (next twelve months)

- Likelihood to switch to a different supplier
- Likelihood to start looking for an alternative supplier

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- Likelihood to look at deals from other suppliers to see what else is out there
- Likelihood of changing to another package/tariff with current supplier (including changing connection type or connection speed for internet market)
- Likelihood of re-negotiating existing package with current supplier

Based on the individual responses to this set of questions, each consumer in the quantitative research was allocated a composite score to reflect their overall participation. This score is referred to as the Participation Index¹.

By taking each of these aspects of consumer behaviour into account, four 'participation' segments emerge which are common across all three telecoms markets.

- Inactive consumers – have had *no past involvement* at all other than possibly thinking about getting involved and have *low interest in the market*. They do not keep up-to-date with the market or have plans to make any changes to their service in the future.
- Passive consumers – *may have had some past involvement* in terms of either shopping, switching or changing some element of their package, they also either indicated *some current interest* in the market, and/or were *not averse to changing* an aspect of their service in the future.
- Interested consumers – while *broadly similar to passive* consumers in terms of their past behaviour and future intentions, as their name suggests they are *more likely to keep an eye on the market*, looking out for better deals. It would be reasonable to suggest that their increased interest in the market means that this group are more likely than passive consumers to act on their future intentions.
- Engaged consumers – *the most active group* in terms of past behaviour, interest in the market and future switching intentions.

3.2 A model for explaining participation in the telecoms market

One of the clearest themes that emerged from the qualitative research was the general lack of interest in telecoms services. The research shows that telecoms services were only meaningful to the majority of consumers because they enabled aspects of their lifestyle – consumers tended to have a functional relationship with their telecoms service and service providers, and didn't therefore place a great importance on the service per se. This creates an important context for decision-making. If the personal investment in the outcome is limited, there will be limited engagement in the decision-making process and this will tend to inhibit consumers from becoming heavily involved in negotiating all the choices available to them within a market.

The implication from the research is that the decision to participate becomes a trade-off between the expected potential benefit of the shopping outcome and the expected procedural and/or psychological drawbacks associated with the process. It is worth stressing that consumers do not consider the *actual* benefit of the shopping outcome, which they cannot know for sure prior to shopping, but the *perceived* benefit. Necessarily, shopping will not take place if the expected drawbacks exceed the expected benefits of participating. The remainder of this section discusses these two aspects of decision-making in turn.

¹ Details of the scoring allocation used to develop the Participation Index can be found in the Technical Appendix to this document.

3.2.1 The factors that encourage participation

The greater the potential benefit a consumer sees in shopping, the greater will be their motivation to shop. However, the research shows that in the fixed line market, this benefit did not equate directly with potential savings. A consumer's estimate of the potential benefits that could be derived from shopping was based only on criteria that mattered to them and aligned with the particular things they were interested in doing with their telecoms services. At the detailed level, these varied on an individual basis: for example, saving money was a driving motivation for some consumers but was largely irrelevant to others.

It follows that a consumer's estimate of the potential benefit of shopping depends on:

- their estimate of the amount of differentiation in the market on the criteria that mattered to them; and
- their estimate of the performance of their current service compared to alternative suppliers on these important criteria.

3.2.2 The factors that discourage participation

The fact that a consumer sees potential benefit in the outcome of shopping does not necessarily translate directly into shopping. This decision rests on a comparison of the expected potential benefit and the expected potential drawbacks of the process. The research identified four broad classes of the 'costs' or drawbacks involved in the process:

- Opportunity costs: "I've got better things to do with my time."
- Experience costs: "The entire process is a hassle or a chore."
- Self-perception costs: "I'm bound to feel stupid or out-of-date."
- Practical switching costs: "Even if I do find a better deal I'll then have to...(e.g. wait for my new service to be connected)."

Loyalty also distorts this benefit/cost trade-off. A strong sense of loyalty to an existing provider was likely to reduce the chance of a consumer looking around for an alternative. Indeed, loyal consumers were often willing to stick with their service even if they were dissatisfied with it, and tended to accept higher prices.

The research also shows that consumers approach the shopping process in different ways depending on their mindset. The research identified three critical dimensions that determine a consumer's overall mindset:

- the value or trust placed in relationship with a provider (which translates practically into willingness to consider unfamiliar brands);
- their confidence in their understanding and judgement in the category (which translates practically into reliance on advice); and
- their patience with the shopping process (which translates practically into willingness to invest the time to investigate all options).

The degree to which a consumer values and trusts their current supplier, the degree to which they are confident in their knowledge of the category and the amount of time they are willing to spend searching for the best possible option (rather than just a 'good enough'

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option) are all inter-related – these are not discrete categories. These all had an influence on the way consumers approached the shopping process and defined their expectations of the drawbacks involved in participation.

The next three sections provide a broad overview of consumer participation in the fixed line, mobile phone and internet markets in turn, exploring the ‘how’ and ‘why’ that underpins decision-making behaviour in order to identify the key drivers that determine whether or not a consumer participates.

Section 4

Participation in the Consumer Fixed Line Market

This section reviews the extent and nature of consumer participation in the fixed line market.

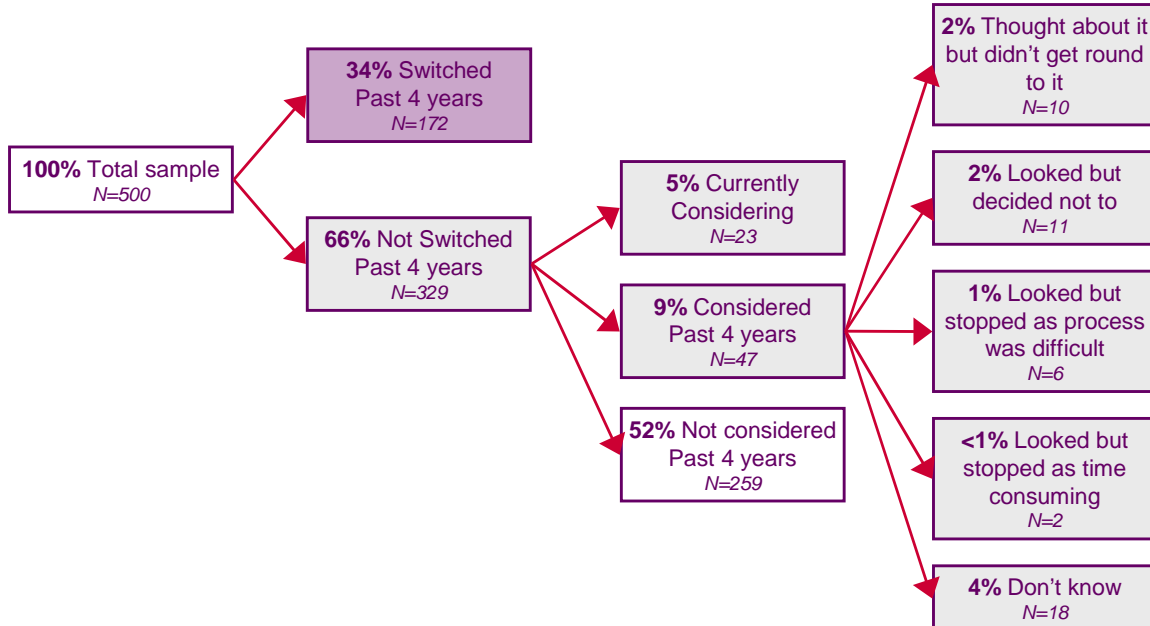
4.1 The extent of consumer participation in the fixed line market

The research shows that although the majority of consumers in the fixed line market have not considered changing their supplier, they are ‘participating’ in other ways, as the following sub-sections (4.1.1 to 4.1.4) will illustrate.

4.1.1 Past decision-making behaviour

Figure 1 shows that one in three (34%) of the fixed line consumers surveyed had changed the supplier providing their home fixed line service in the last four years (including decisions to move from a single provider to split providers for calls and line rental). However, two-thirds (66%) had not switched in this time period and the majority (52%) had not even considered doing so. Even among the 9% who had considered switching, not all had actively started looking for an alternative.

Figure 1: Changing supplier in the last four years²



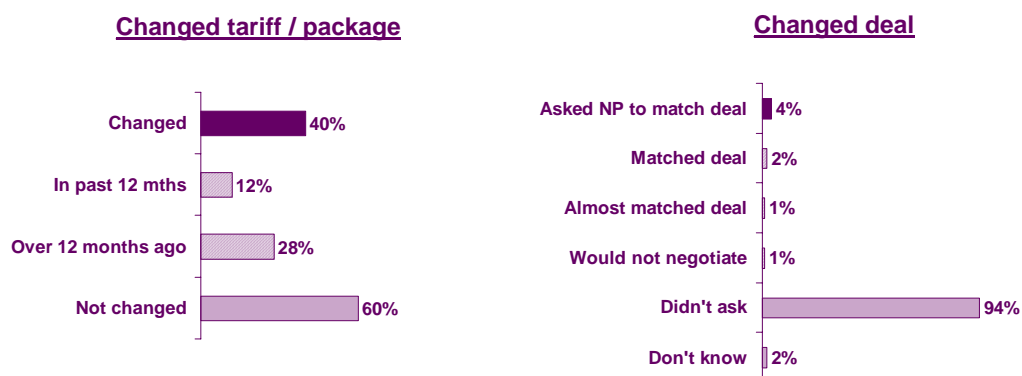
Regardless of whether or not they had switched supplier in the last four years, analysis shows that a similar proportion (34%) had made some change to their existing service with their current supplier in this time period. Figure 2 shows how this percentage breaks down.

² Base: All, Fixed line (500). Percentages represent share of total sample.

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In this market, consumers were far more likely to change the tariff or package they were on than re-negotiate their deal: only 4% had asked their supplier to match a better deal they had seen elsewhere.

Figure 2: Changing service with existing supplier³



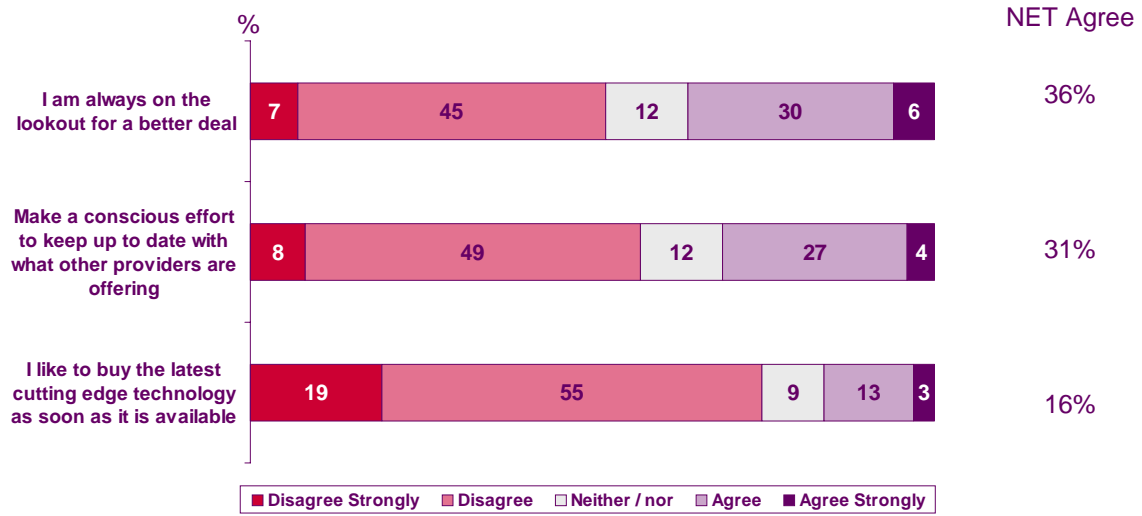
4.1.2 Current decision-making behaviour

Figure 3 shows that a similar proportion claimed to keep an eye on the market: around a third (36%) agreed that they were always on the look-out for a better deal and a similar proportion (31%) agreed that they made a conscious effort to keep up-to-date with what other providers were offering.

In this market, fewer than one in six consumers can be classified as early adopters – derived from the 16% who agreed that they liked to buy the latest cutting-edge technology as soon as it became available.

³ Base: (Q2ai) All with current supplier for one year or more, (395). (Q2aii) All, Fixed line (500)

Figure 3: Degree of engagement with market currently⁴



4.1.3 Future decision-making behaviour

Figure 4 shows the proportion of consumers who intended to start shopping around for an alternative fixed line supplier in the next twelve months: 11% claimed they were certain/very likely to look for an alternative supplier, 13% claimed they were certain/very likely to look at other deals available and even fewer were actually planning to switch. A similar percentage stated that changes to existing packages were unlikely: 8% intended to re-negotiate their existing package and 5% intended to change to another package with their current supplier.

⁴ Base: All, Fixed line (500). Net Agree percentage comprises Agree and Agree Strongly ratings.

Figure 4: Anticipated likely behaviour in the next twelve months⁵



4.1.4 An overview of participation across the three time dimensions: past, present and future

Taking each of these aspects of consumer behaviour into account, each respondent was allocated a composite score out of 100 to reflect their overall participation across the three time dimensions researched. Figure 5 shows the four ‘participation’ segments that emerge through this analysis.

In the fixed line market, the ‘inactive’ segment was the second largest population of consumers, accounting for more than a quarter (28%) of the market. What this suggests is that although one in two consumers (52%) in the fixed line market had not even considered changing their supplier (see section 4.1.1), they were ‘participating’ in other ways. In other words, the Participation Index shows a significantly lower proportion of consumer non-participation than the degree of switching behaviour initially suggests.

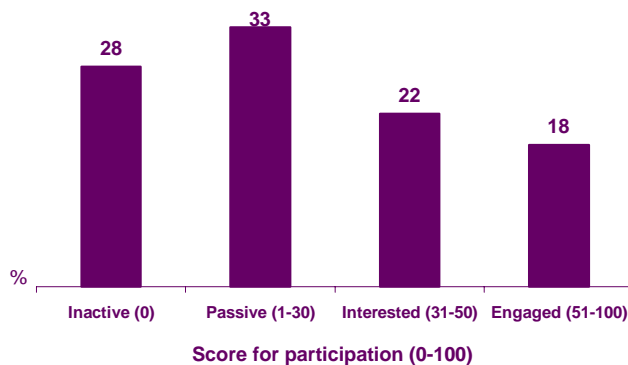


Figure 5: The distribution of participation scores⁶

⁵ Base: All, Fixed line (500). Question asked on a six point scale (Certain not to, Very unlikely to, Unlikely to, Likely to, Very likely to and Certain to).

⁶ Base: All, Fixed line (500). Calculations and approach used to derive participation scores detailed in technical appendix.

Figure 6 shows the behaviours demonstrated by each of the four ‘participation’ segments. The arrows on the table indicate the aspects of behaviour where there is a minimum gap of 20% between the responses of the respective segments - these help to identify the behaviours that define the four participation segments as different from each other.

Inactive consumers displayed no evidence of prior involvement in the market (the 7% who had considered changing their fixed line supplier had not got around to doing anything about it). Nor did they make any effort to keep up-to-date with the market or indicate any plans to become more involved in future.

Passive consumers are distinguished from the inactive segment by the fact that 31% had actually switched in the past and 27% had considered switching. One in four (26%) also indicated some level of engagement with the market currently, in that they kept a look-out for better deals. However, they displayed very limited interest in making any changes to their service in the near future.

Interested consumers are distinguished from passive consumers mostly on the basis of how engaged they are with the market currently, with around half claiming to keep a close eye on the market (52% made an effort to keep up-to-date with new offerings and 55% kept a look-out for better deals). However, their future intentions were broadly similar.

Engaged consumers are unique among the segments for the fact that they indicated activity on all three time dimensions: past, present and future. They displayed particularly high levels of switching (79% had changed network supplier in the last four years) and were the most interested in the market currently (79% kept an eye on competitor offerings and 88% were always on the look-out for better deals).

Figure 6: The behavioural profile of the four participation segments

	Inactive	Passive	Interested	Engaged
Total number of respondents	139	166	108	88
Share of market	28%	33%	22%	18%
PAST BEHAVIOUR				
Switched past 4 years	0%	31%	47%	79%
Considered switching	7%	27%	34%	54%
Changed tariff/deal with current supplier past 12 months	0%	7%	19%	42%
Seen better deal and asked supplier to match (<i>yes net</i>)	0%	0%	9%	12%
PRESENT BEHAVIOUR				
Make effort to keep up to date with market (<i>agree net</i>)	0%	19%	52%	79%
Always on look out for better deal (<i>agree net</i>)	0%	26%	55%	88%
FUTURE BEHAVIOUR				
Look at alternative provider (<i>certain/very likely to</i>)	0%	11%	15%	24%
Look at deals available (<i>certain/very likely to</i>)	0%	11%	16%	34%
Switch line rental supplier (<i>certain/very likely to</i>)	0%	8%	10%	22%
Switch call supplier (<i>certain/very likely to</i>)	0%	8%	9%	17%
Re-negotiate existing package (<i>certain/very likely to</i>)	0%	8%	11%	17%
Change existing package (<i>certain/very likely to</i>)	0%	6%	8%	12%

In terms of socio-demographic profile, there were no significant differences between the four segments (see Figure 7). As later sections will show, what defines the degree of consumer engagement with the market is the expected benefit versus the expected drawbacks that consumers perceive as being associated with participation. In other words, the differences

are driven by differences in attitudes and behaviours rather than by differences in demographics.

Figure 7: The socio-demographic profile of the four participation segments

	Inactive	Passive	Interested	Engaged
Weighted base	139	166	108	88
Share of market	28%	33%	22%	18%
Male	46%	51%	50%	55%
Female	54%	49%	50%	45%
18-24	4%	6%	2%	9%
25-44	32%	37%	42%	38%
45-64	39%	34%	35%	31%
65+	25%	24%	20%	22%
AB	27%	25%	20%	28%
C1	29%	31%	30%	36%
C2	14%	18%	29%	16%
DE	28%	25%	20%	21%
Married / de facto	63%	69%	74%	68%
Work full time / part time	68%	72%	69%	71%
Average quarterly bill	£64.64	£75.79	£75.65	£63.45

4.2 A review of the factors that encourage participation: the expected benefits of participating

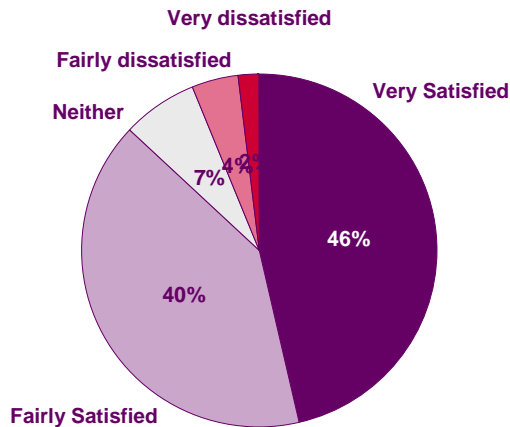
The motivation to participate is a function of:

- a) a consumer's estimate of the performance of their existing supplier; and
- b) whether or not they believe there to be better alternatives available from other suppliers on the aspects of service that matter to them.

If the market is perceived to be undifferentiated and/or if their current supplier is perceived to be the best in the market on the most important criteria, there is no expected benefit from switching.

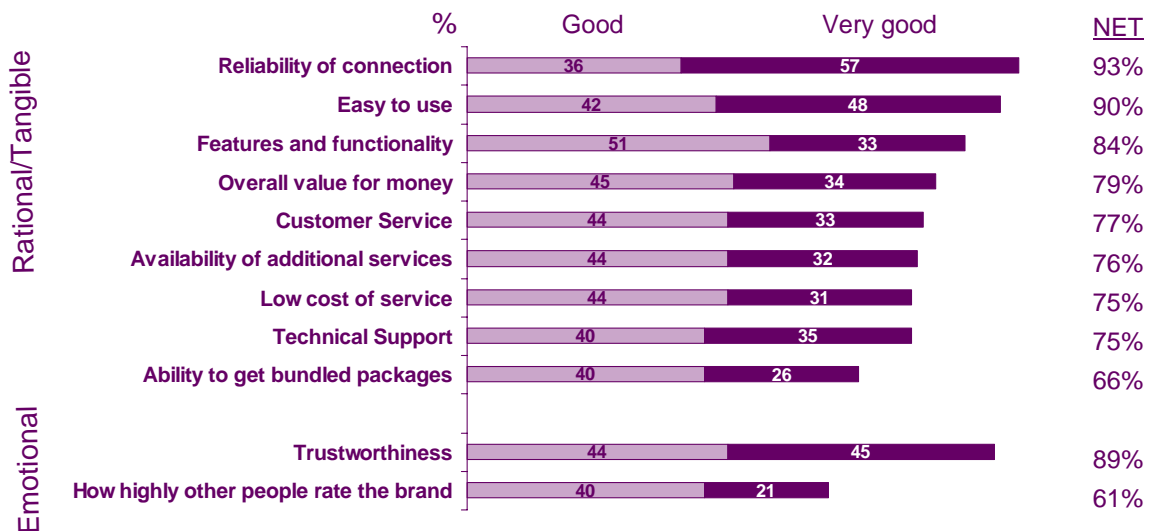
Figure 8 indicates that 86% of fixed line consumers are satisfied with their overall experience with their current supplier: almost half (46%) were very satisfied and a similar proportion (40%) were fairly satisfied.

Figure 8: Satisfaction with overall experience from current supplier⁷



This satisfaction is evident across various aspects of the supplier’s offering, including both the rational/tangible aspects of product performance as well as the emotional/intangible aspects of brand performance. Figure 9 details the ratings of providers on a range of performance attributes. As with the satisfaction ratings shown above, it is clear that ratings were generally high, with reliability of connection, ease of use and trust the highest-rated factors. Ability to get bundled packages and being rated highly by other people were the lowest-rated factors.

Figure 9: Perceived performance of current supplier⁸



⁷ Base: All, Fixed line (500).

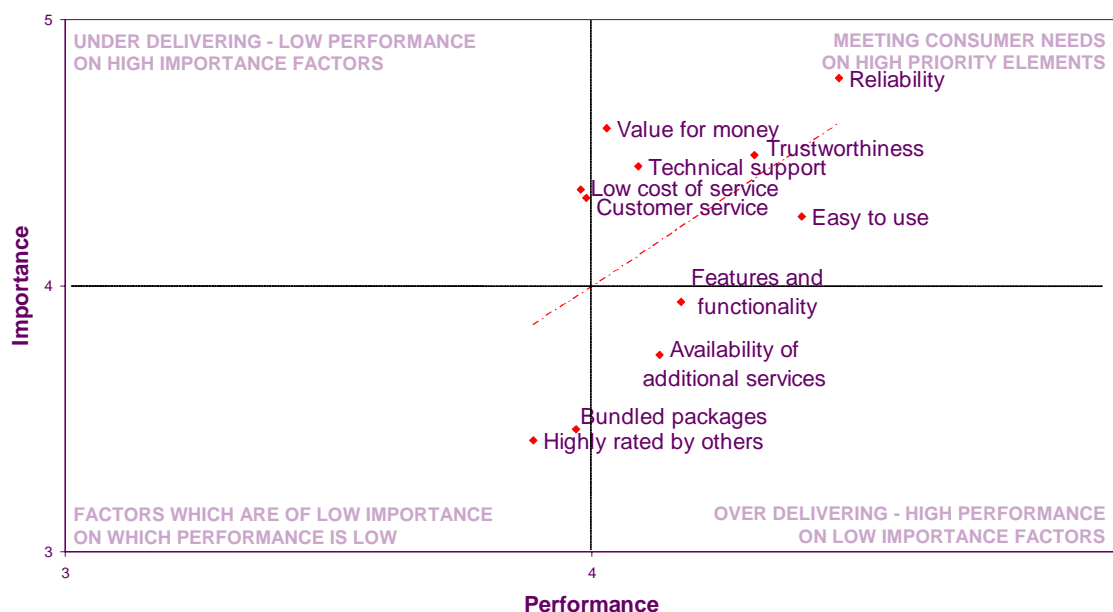
⁸ Base: All, Fixed line (500).

Figure 10 plots the perceived performance of the current supplier on these aspects, against their perceived importance to the consumer. This analysis can identify the relevant aspects of service where suppliers are performing relatively poorly, or areas where the market could better meet consumer needs.

In the fixed line market, there were no major market deficits. Figure 10 shows that most aspects of service fall within the top right quadrant: not only are these of high importance to consumers, they are also areas on which the market is performing very well. Therefore the market may be regarded as meeting consumer needs on the key dimensions of reliability, trust, value for money, technical support and ease of use.

Low cost and customer service sit on the margin of the top left quadrant and as such they represent an opportunity for suppliers to improve performance, even though they were not perceived to be under-performing to such a degree as to be considered market failures.

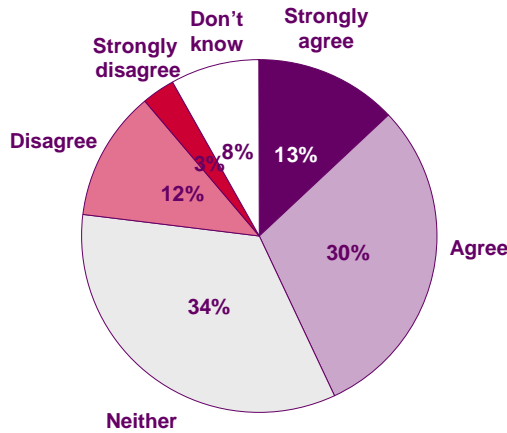
Figure 10: Performance of current supplier versus importance of key aspects of service⁹



Despite a majority of consumers expressing satisfaction with the performance of their current supplier, far fewer (43%) agreed that they were the best on the market (see Figure 11).

⁹ Base: All, Fixed line (500). 5-point scale used for Importance (5. Very important, 4. Fairly important, 3. Neither / nor, 2. Fairly unimportant, 1. Very unimportant) and Performance (5. Very good, 4. Good, 3. Neither / nor, 2. Poor, 1. Very poor). The two tangents on the chart bisect the importance and performance axes at a 'score' of 4 on each axis (Fairly Important and Good Performance). In order to show greatest differentiation and relative strengths and weaknesses for all three markets the chart does not display the full scale – with the lower range of scores not shown on each axis.

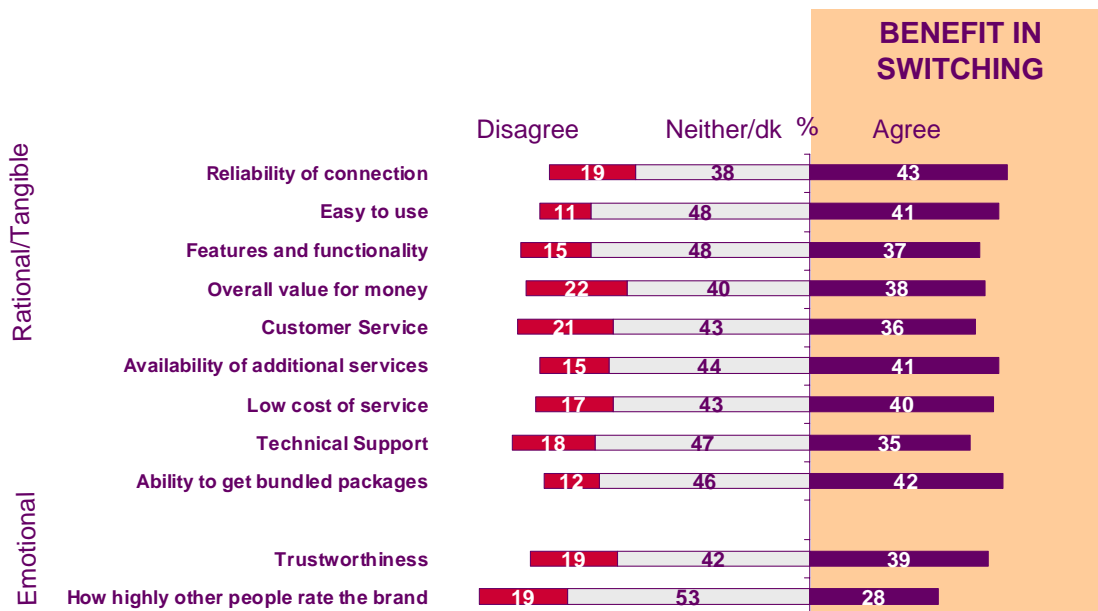
Figure 11: Whether current supplier is the best on the market¹⁰



Breaking this down into elements of product, service, price and brand, Figure 12 shows that a similar proportion of consumers agreed that there were better alternatives available from other suppliers in all these areas - including reliability of service and ease of use, where current suppliers were perceived as performing most strongly. (The elements are categorised into rational/tangible versus emotional/intangible factors, then listed in order of the performance of the current supplier).

It follows from this that being satisfied does not necessarily mean there are no perceived benefits to switching - satisfaction in itself is not sufficient to deter consumers from looking elsewhere for a better alternative.

Figure 12: Whether there are better alternatives available from other suppliers¹¹



¹⁰ Base: All, Fixed line (500).

¹¹ Base: All, Fixed line (500). 'Disagree' comprises Disagree and Disagree strongly ratings, 'Agree' comprises Agree and Agree Strongly ratings.

4.3 A review of the factors that discourage participation: the expected drawbacks of participating

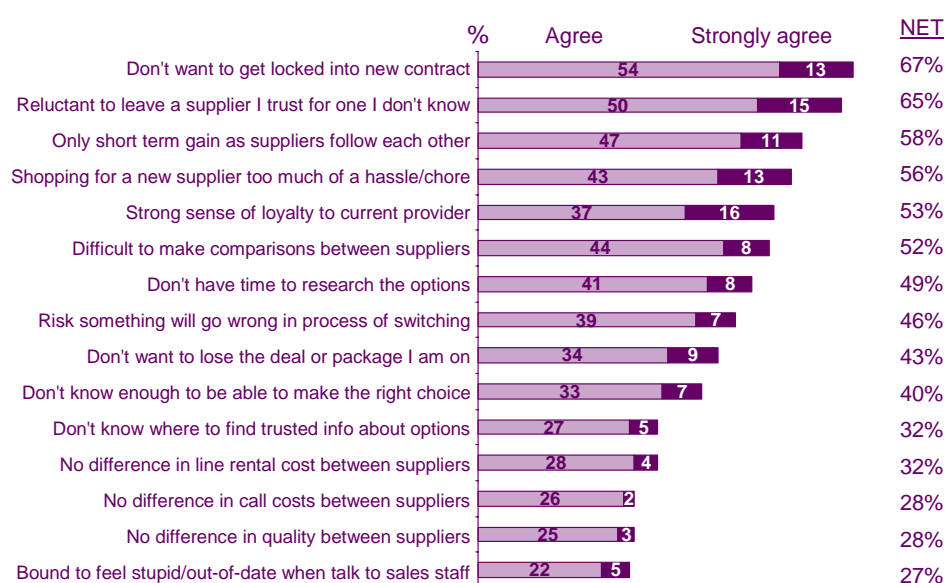
4.3.1 The perceived barriers to shopping and/or switching suppliers

Figure 13 shows the various procedural and psychological barriers that were perceived by consumers, from which it is clear that the greatest deterrent to shopping for an alternative fixed line supplier was the possibility of getting locked into a contract with a new supplier: two-thirds of consumers (67%) agreed that they would be put off by this.

Reflecting a similar sentiment, the second greatest barrier to shopping was reluctance to leave a known and trusted supplier for one that was unfamiliar - stated by 65% of consumers. Relationships are long in this market and many have been with their supplier for decades (the average length of relationship is 6.28 years and 42% have been with their supplier for more than 10 years). The qualitative research revealed that for some consumers, their relationship with their fixed line supplier was perceived as being more important than whether they could get a better deal elsewhere. These consumers would only shop if they had experienced a serious betrayal of trust, when there was a 'revenge value' to switching. It follows that as many as one in two (53%) fixed line consumers also agreed that they had a strong sense of loyalty to their existing supplier.

The process of shopping itself was likely to discourage around half of those consumers surveyed: 56% agreed that shopping for a new supplier was too much hassle, 52% agreed that it was difficult to make comparisons between suppliers and 49% agreed that they didn't have enough time to research the options. For a similar proportion (46%) there is concern that there is a reasonable degree of risk that something will go wrong in the transition, potentially leaving them without service altogether. Moreover, the majority (58%) perceived that the gain would be short term because all the suppliers follow each other. From this it becomes apparent that there are many barriers associated with switching in this market.

Figure 13: The perceived barriers to shopping and/or switching suppliers¹²



¹² Base: All, Fixed line (500).

4.3.2 The consumer mindsets that influence perceived barriers

Figure 14 shows that the majority of consumers fall somewhere in the middle of the various attitude dimensions tested but at an overall level, consumers were more likely than not to value their relationship with their current provider (29% were 'relational' and 12% were 'transactional'), had a fair degree of confidence in their understanding and judgement in the category (52%) and were more likely than not to be willing to spend the time finding the best possible option rather than accept a solution that is 'good enough' (32% and 14% respectively).

Figure 14: The consumer mindsets that influence perceived barriers



The impact of these attitudes on likely participation in the market is demonstrated by looking at the profile of each participation segment on each of these typologies, as shown in Figure 15. The shaded areas indicate which attitudes each segment is significantly more likely to demonstrate. This analysis shows that inactive consumers were significantly more likely to be 'relational' than 'transactional' people (42% and 22% respectively), and were willing to accept a 'good enough' solution rather than investigate all options to find the 'best' one (47% and 15% respectively).

Conversely, the more participatory segments (interested and engaged consumers) are more willing to spend the time to find the 'best' option for them (31% and 24% respectively).

Figure 15: The consumer mindsets of the four participation segments¹³

NET AGREE	Inactive	Passive	Interested	Engaged
Weighted base	139	166	108	88
Share of market	28%	33%	22%	18%
RELATIONAL Prefer to use trusted brands that are known or recommended	42%	33%	13%	12%
TRANSACTIONAL Willing to consider unfamiliar brands if they offer a good deal	22%	24%	34%	20%
INSECURE Heavily reliant on other people's advice as don't know enough to make right choice	19%	40%	19%	22%
CONFIDENT Unlikely to rely on other people's advice as confident in own decisions and prefer to do own research	30%	34%	21%	15%
MAKE IT QUICK Keen to make decision ASAP - don't need to investigate all options as long as found something that's good enough	47%	37%	13%	3%
MAKE IT CORRECT Keen to invest time to thoroughly investigate all options to make sure get best option	15%	30%	31%	24%

4.4 The trade-off between the expected benefit and the expected drawbacks of participation: the key drivers of participation

Further analysis reveals that of all the motivations and barriers identified through this research, there are six key factors that drive the decision as to whether or not to participate in the fixed line market.

In summary, inertia and lack of perceived differentiation in the market drive non-participation, while participation is a function of interest in technology, perceived importance of bundling, and desire for low cost and/or willingness to consider unfamiliar brands if offered a good deal.

Figure 16 shows that inactive consumers were significantly more likely to display signs of inertia than other segments (significant differences are indicated by the shaded areas in the table): the vast majority (81%) were reluctant to leave their trusted provider (compared to 52% of engaged consumers) and 55% were worried about loss of service during the transition (compared to 33% of engaged consumers). Nor were many of them convinced that there was any difference between suppliers, reducing the motivation for them to search for possible improvements in their services.

Passive consumers have greater similarities to engaged consumers than they do to inactive consumers on these factors.

¹³ Base: All, Fixed line (500). Shaded boxes indicate significant difference at 95%.

Figure 16: The drivers of non-participation¹⁴

	Inactive	Passive	Interested	Engaged
Weighted base	139	166	108	88
Share of market	28%	33%	22%	18%
INERTIA	% agreeing			
Big risk that something will go wrong in the process of switching	55%	47%	43%	33%
Reluctant to leave a supplier I trust for one I don't know	81%	66%	53%	52%
Don't want to lose the deal or package am on as I don't think I can get it anywhere else	43% (34% disagree)	43% (46% disagree)	43% (46% disagree)	42% (47% disagree)
NO DIFFERENCE BETWEEN SUPPLIERS	% disagreeing			
No difference in cost of line rental	28%	45%	50%	62%
No difference in cost of calls	37%	55%	60%	71%
No difference in quality of service	34%	48%	51%	55%

Figure 17 shows that engaged consumers displayed higher levels of interest and enthusiasm for technology than other segments (significant differences are indicated by the shaded areas in the table): the vast majority (86%) were willing to spend time looking at all the options to make sure they got the best one for them (compared to 36% of Inactive consumers) and they were twice as likely to be early adopters (26% and 10% respectively).

A higher level of interest in additional and/or bundled services also distinguishes the more participatory segments: four-fifths of both interested and engaged consumers placed a lot of value in additional services (e.g. answer-machine functions and call screening) and at least three fifths of each segment considered the bundling aspect of their service to be important. This supports a finding from the qualitative research which suggests that a switch in fixed line is frequently an incidental feature (from the consumer's perspective) of a separate buying decision - for example if it comes as part of an entertainment package.

Engaged consumers were also the most price-driven. While the vast majority (at least 80%) of all consumers in this market agreed that the low cost of their service was very important to them, engaged consumers were significantly more likely to be driven by price (98%). This is further evidenced by the willingness of this segment to consider unfamiliar brands offering them a good deal (59% compared to 32% of inactive consumers).

¹⁴ Base: All, Fixed line (500). Shaded boxes indicate significant difference at 95%.

Figure 17: The drivers of participation ¹⁵

	Inactive	Passive	Interested	Engaged
Weighted base	139	166	108	88
Share of market	28%	33%	22%	18%
INTEREST IN TECHNOLOGY	% agreeing			
Like to buy the latest technology that is right at the cutting edge as soon as it is available	10%	13%	21%	26%
Keen to invest the time to thoroughly investigate all the options to make sure I get best possible option	36%	57%	77%	86%
IMPORTANCE OF BUNDLING				
Ability to get bundled packages important	47%	62%	61%	68%
Availability of additional services important	57%	68%	83%	80%
IMPORTANCE OF LOW COST				
The low cost of the service/the deals available important	80%	88%	93%	98%
TRANSACTIONAL				
Willing to consider brands that I am unfamiliar if they offer a good deal	32%	57%	72%	59%

In summary, the evidence suggests that in the face of an undifferentiated market (perceived or actual), inactive consumers are adopting fallback, risk-averse strategies and will stay with what they know and trust, even though it might not be the best rational option. Any efforts made to influence these key drivers, for example by helping consumers to overcome their inertia and move out of their comfort zones, by allaying fears regarding the potential risks associated with switching services, or by convincing them of the tangible benefits of any new service over and above their existing set-up, stand the greatest chance of furthering participation in the fixed line market.

¹⁵ Base: All, Fixed line (500). Shaded boxes indicate significant difference at 95%.

Section 5

Participation in the Consumer Mobile Phone Market

This section reviews the extent and nature of consumer participation in the mobile phone market.

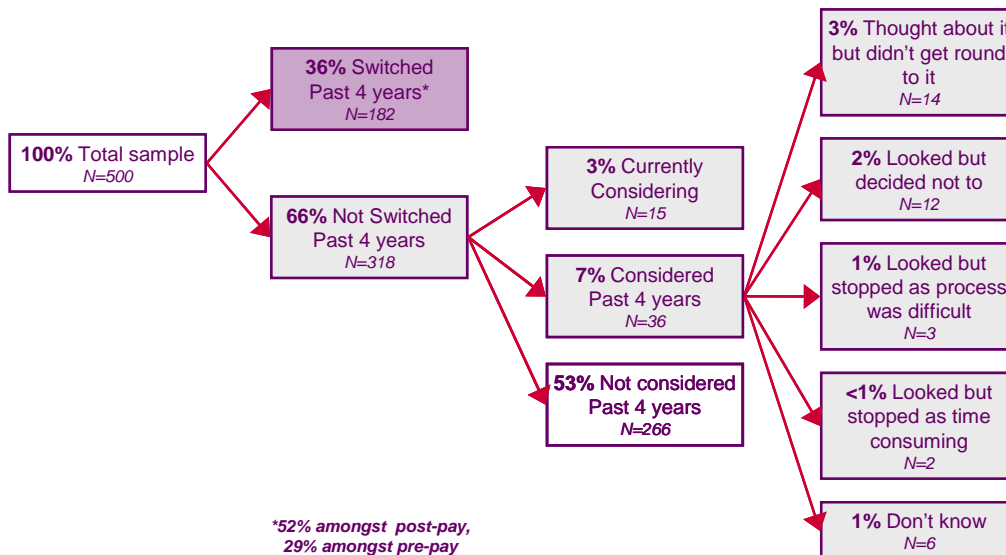
5.1 The extent of consumer participation in the mobile phone market

The research shows that although the majority of consumers in the mobile phone market have not considered changing their supplier, they are ‘participating’ in other ways, as the following sub-sections (5.1.1 to 5.1.4) will illustrate.

5.1.1 Past decision-making behaviour

Figure 18 shows that more than a third (36%) of consumers had changed their mobile phone network supplier in the last four years – this rises to 52% among those who are on an annual contract and falls to 29% among those who are on pre-pay packages. However, two-thirds (66%) had not switched in this time period and the majority (53%) had not even considered doing so. Even among the 7% who had considered switching, not all had actively started looking for an alternative.

Figure 18: Changing supplier in the last four years¹⁶



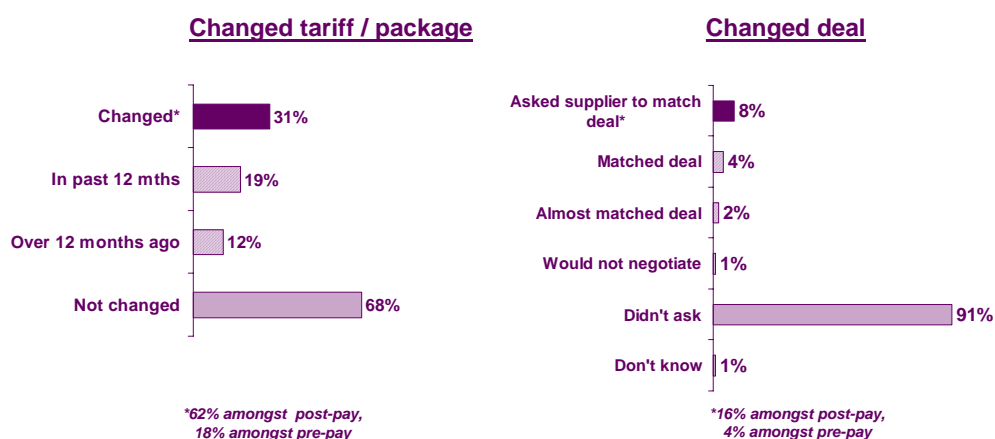
Regardless of whether or not they had switched network supplier in the last four years, analysis shows that a similar proportion (32%) had made some change to their existing service with their current supplier in this time period. Figure 19 shows how this percentage breaks down.

¹⁶ Base: All, Mobile (500). Percentages represent share of total sample.

Consumer Decision Making in the Telecoms Market

While consumers were far more likely to change the tariff or package they were on (31%) than ask their supplier to match a better deal they had seen elsewhere (8%), research shows that mobile phone users are becoming increasingly aware of their potential to negotiate. Those on contracts were generally more active in this regard than those on pre-pay packages: 62% had changed their existing tariff/package and 16% had attempted to re-negotiate their package/deal.

Figure 19: Changing service with existing supplier¹⁷



5.1.2 Current decision-making behaviour

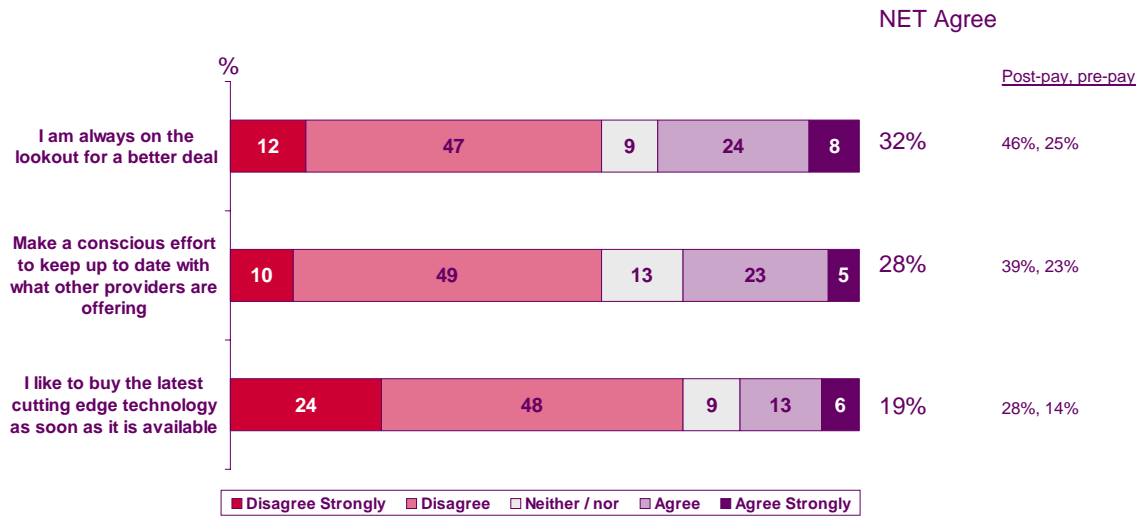
Figure 20 shows that around a third of all consumers claimed to keep an eye on the mobile phone market: 32% agreed that they were always on the look-out for a better deal and 28% agreed that they made a conscious effort to keep up-to-date with what other providers were offering.

In this market, as many as one in five consumers can be classified as early adopters - derived from the 19% who agreed that they liked to buy the latest cutting edge technology.

Those on contracts displayed greater interest in the market than those on pre-pay packages.

¹⁷ Base: (Q2ai) All with current supplier for one year or more, (411). (Q2aii) All, Fixed line (500)

Figure 20: Degree of engagement with market currently¹⁸



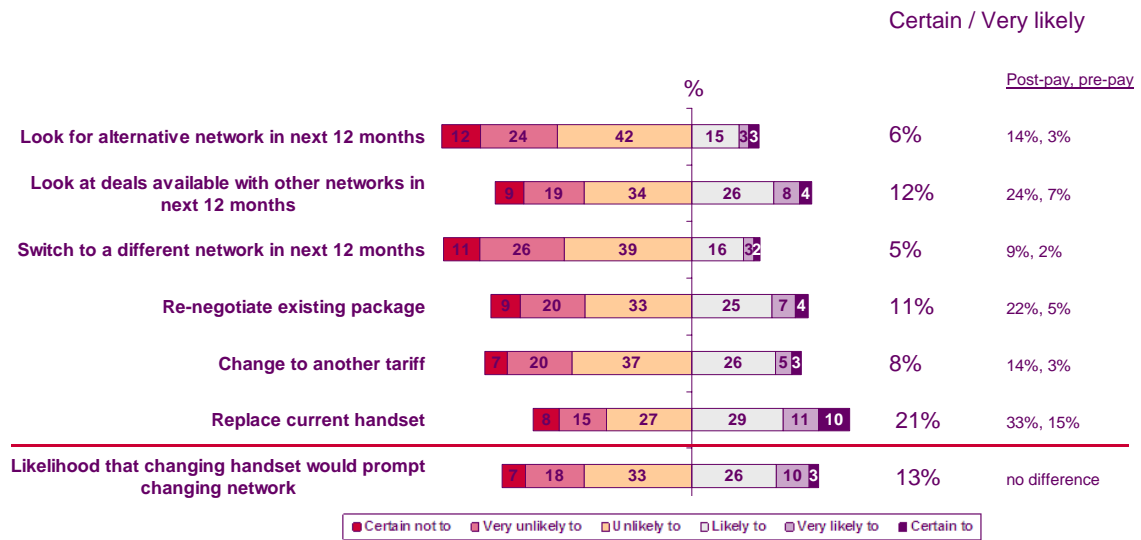
5.1.3 Future decision-making behaviour

Figure 21 shows that 6% were certain or very likely to look for an alternative supplier and 5% were likely to switch network in the next twelve months. A slightly higher percentage of consumers planned to either re-negotiate their existing package or to change their existing tariff (11% and 8% respectively). However, the data indicates that contract users are more likely to get involved than those on pre-pay, particularly in terms of keeping an eye on deals and/or re-negotiating their existing deal.

Figure 21 also shows that there is a higher level of interest in changing handset than other types of activity (21% agreed that they were certain or very likely to replace their current handset in the next twelve months), most notably among post-pay consumers (where this rises to 33%). For some (13%) this was potentially a trigger for changing network supplier. The qualitative research revealed that natural breaks such as these can be a catalyst for change because many of the perceived drawbacks dissipate or disappear when the decision becomes part of a broader decision that is already under way.

¹⁸ Base: All, Mobile (500). Net Agree percentage comprises Agree and Agree Strongly ratings.

Figure 21: Anticipated likely behaviour in the next twelve months¹⁹



5.1.4 An overview of participation across the three time dimensions: past, present and future

Taking each of these aspects of consumer behaviour into account, each respondent was allocated a composite score out of 100 to reflect their overall participation across the three time dimensions researched. Figure 22 shows the four ‘participation’ segments that emerge.

In the mobile phone market, the ‘inactive’ segment was the largest population of consumers, accounting for almost a third (31%) of the market. What this suggests is that although one in two consumers (53%) in the mobile market had not even considered changing their supplier (see section 5.1.1), they were ‘participating’ in other ways. In other words, the Participation Index shows a significantly lower proportion of consumer non-participation than the degree of switching behaviour initially suggests.

Figure 22: The distribution of participation scores²⁰

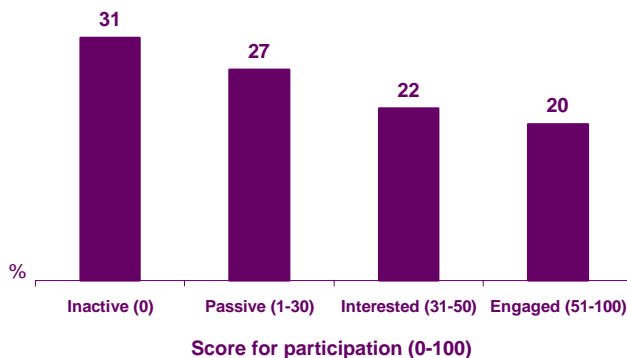


Figure 23 shows the behaviours demonstrated by each of the four ‘participation’ segments. The arrows on the table indicate the aspects of behaviour where there is a minimum gap of

¹⁹ Base: All, Mobile (500). Question asked on a six point scale (Certain not to, Very unlikely to, Unlikely to, Likely to, Very likely to and Certain to).

²⁰ Base: All, Mobile (500). Calculations and approach used to derive participation scores detailed in technical appendix.

20% between the responses of the respective segments - these help to identify the behaviours that define the four participation segments as different from each other.

Inactive consumers displayed no evidence of prior involvement in the market (the 7% who had considered changing their network supplier had not got around to doing anything about it), did not keep up-to-date with the market and had no plans to become more involved in future.

Passive consumers are distinguished from the inactive segment by the fact that 41% had actually switched network supplier in the past. However, they displayed limited interest in the market generally and few planned to make any changes to their service in the near future.

Interested consumers are distinguished from passive consumers mostly on the basis of how engaged they were with the market currently, with around two-fifths claiming to keep a close eye on the market (43% made an effort to keep up-to-date with new offerings and 43% were always on the look-out for better deals). They were also significantly more likely to have changed the tariff or deal they were on with their existing network supplier (38%) although their actual switching behaviour was not markedly different. Their future intentions were only slightly stronger.

Engaged consumers are unique among the segments for the fact that they indicated reasonable levels of activity on all three time dimensions: past, present and future. They displayed particularly high levels of switching (72% had changed network supplier in the last four years) and were the most interested in the mobile phone market currently (77% kept an eye on competitor offerings and 88% were always on the look-out for better deals).

Figure 23: The behavioural profile of the four participation segments

	Inactive	Passive	Interested	Engaged
Weighted base	153	136	110	101
Share of market	31%	27%	22%	20%
PAST BEHAVIOUR				
Switched past 4 years	0%	41%	48%	72%
Considered switching	7%	19%	23%	47%
Changed tariff/deal with current supplier past 12 months	0%	13%	38%	50%
Seen better deal and asked supplier to match (<i>yes net</i>)	0%	4%	11%	23%
PRESENT BEHAVIOUR				
Make effort to keep up to date with market (<i>agree net</i>)	0%	12%	43%	77%
Always on look out for better deal (<i>agree net</i>)	0%	18%	43%	88%
FUTURE BEHAVIOUR				
Look at alternative provider (<i>certain/very likely to</i>)	0%	4%	10%	18%
Look at deals available (<i>certain/very likely to</i>)	0%	6%	18%	34%
Switch to a different supplier (<i>certain/very likely to</i>)	0%	2%	6%	12%
Re-negotiate existing package (<i>certain/very likely to</i>)	0%	6%	16%	30%
Change to another tariff (<i>certain/very likely to</i>)	0%	4%	11%	17%

There were a few demographic differences between segments (see Figure 24). Engaged consumers were significantly more likely to be younger and male (i.e. early adopters) and inactives tended to be older consumers on pre-pay packages, who spent less as a result (significant differences are indicated by the shaded areas).

However, as later sections will show, the degree of consumer engagement with the market is better explained by the expected benefit versus the expected drawbacks that consumers perceive as being associated with participation. In other words, the differences are driven by differences in attitudes and behaviours rather than by differences in demographics.

Figure 24: The socio-demographic profile of the four participation segments²¹

	Inactive	Passive	Interested	Engaged
Weighted base	153	136	110	101
Share of market	31%	27%	22%	20%
Male	48%	43%	45%	59%
Female	52%	57%	55%	41%
16-24	10%	17%	21%	30%
25-44	33%	43%	46%	46%
45-64	35%	30%	29%	21%
65+	22%	9%	6%	5%
AB	24%	24%	27%	26%
C1	30%	32%	29%	29%
C2	23%	17%	18%	18%
DE	23%	27%	26%	27%
Married / de facto	66%	61%	57%	54%
Work full time / part time	62%	75%	65%	71%
Average monthly bill	£13.69	£22.09	£27.00	£32.15
Post-pay	11%	21%	56%	62%
Pre-pay	85%	79%	44%	38%

5.2 A review of the factors that encourage participation: the expected benefits of participating

The motivation to participate is a function of:

- a) a consumer's estimate of the performance of their existing supplier; and
- b) whether or not they believe there to be better alternatives available from other suppliers on the aspects of service that matter to them.

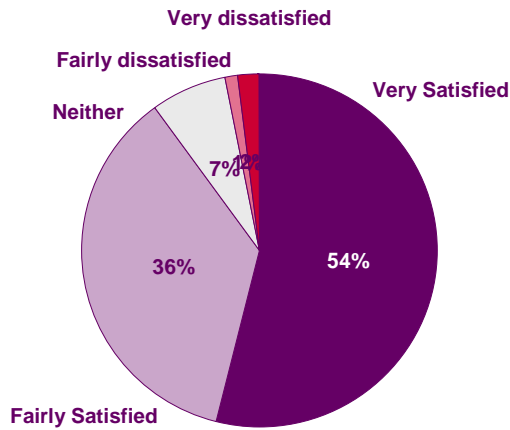
If the market is perceived to be undifferentiated and/or if their current supplier is perceived to be the best in the market on salient criteria, there is no expected benefit from switching.

Figure 25 indicates that more than half the consumers surveyed (54%) were very satisfied with their overall experience with their current supplier and another third (36%) were fairly satisfied. Post-pay and pre-pay consumers were equally satisfied with their current network supplier.

Figure 25: Satisfaction with overall experience from current supplier²²

²¹ Base: All, Mobile (500). Shaded boxes indicate significant difference at 95%.

²² Base: All, Mobile (500).



This satisfaction was evident across various aspects of the supplier’s offering, including both the rational/tangible aspects of product performance as well as the emotional/intangible aspects of brand performance. Figure 26 shows the ratings of providers on a range of performance attributes. Generally, the ratings are positive and in line with the broad satisfaction with the market evident above. Reliability of coverage, value for money and features and functions were the highest-rated factors. As with the mobile market, an area of deficit was the ability to get bundled packages.

Figure 26: Perceived performance of current supplier²³

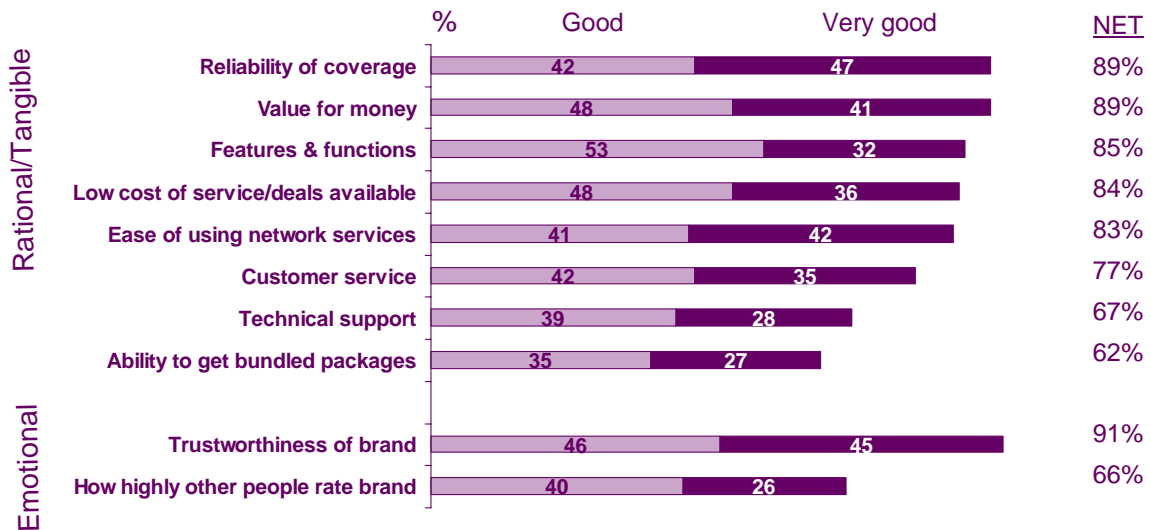


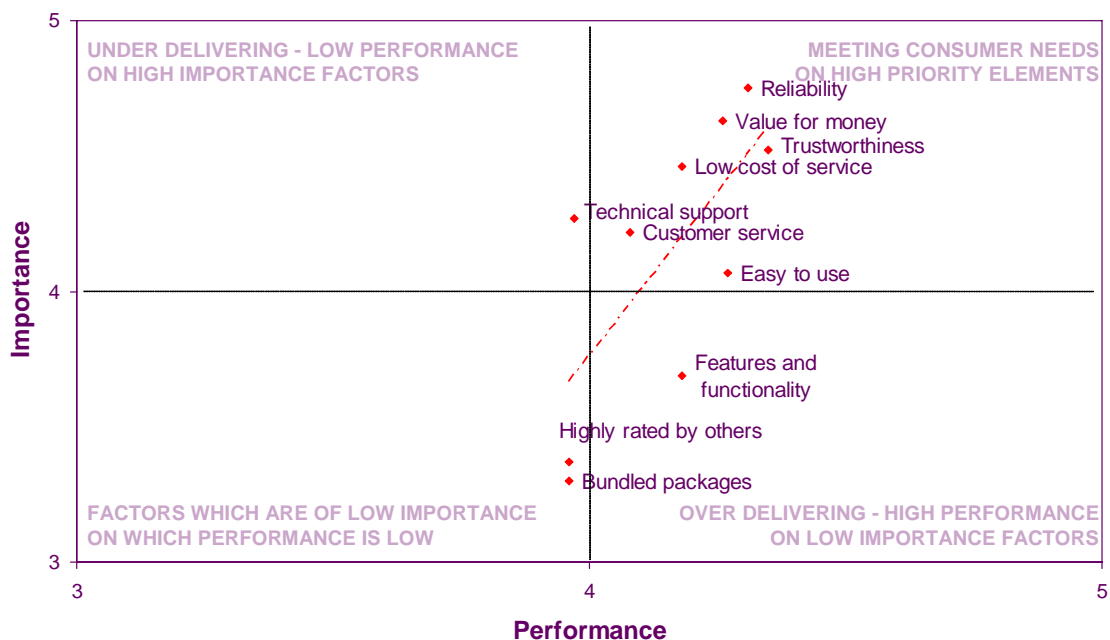
Figure 27 plots the perceived performance of the current supplier on these aspects, against their perceived importance to the consumer. This analysis can identify the relevant aspects of service on which suppliers are performing relatively poorly, or areas on which the market could better meet consumer needs.

In this market, there were no major market deficits. Figure 27 shows that most aspects of service fall within the top right quadrant: not only are these of high importance to consumers, they are also areas on which the market is performing very well. Therefore the mobile phone market may be regarded as meeting consumer needs on the key dimensions of reliability, trust, value for money, low cost of service, customer service and ease of use.

²³ Base: All, Mobile (500).

The only service aspect falling within the top left quadrant is technical support, indicating that this is an area where suppliers could improve performance.

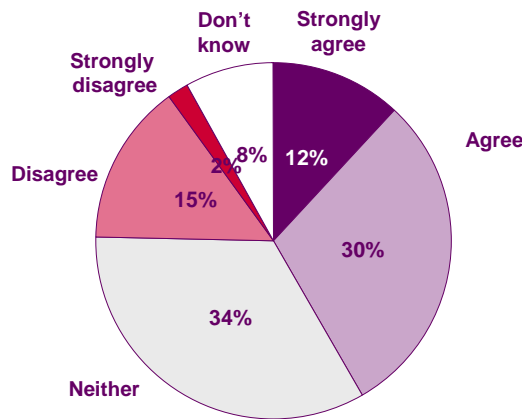
Figure 27: Performance of current supplier versus importance of key aspects of service²⁴



Despite a majority of consumers expressing satisfaction with the performance of their current network supplier, far fewer (42%) agreed that they were the best on the market (see Figure 28) – post-pay and pre-pay consumers coincide in this regard.

²⁴ Base: All, Mobile (500). 5-point scale used for Importance (5. Very important, 4. Fairly important, 3. Neither / nor, 2. Fairly unimportant, 1. Very unimportant) and Performance (5. Very good, 4. Good, 3. Neither / nor, 2. Poor, 1. Very poor). The two tangents on the chart bisect the importance and performance axes at a 'score' of 4 on each axis (Fairly Important and Good Performance). In order to show greatest differentiation and relative strengths and weaknesses for all three markets the chart does not display the full scale – with the lower range of scores not shown on each axis.

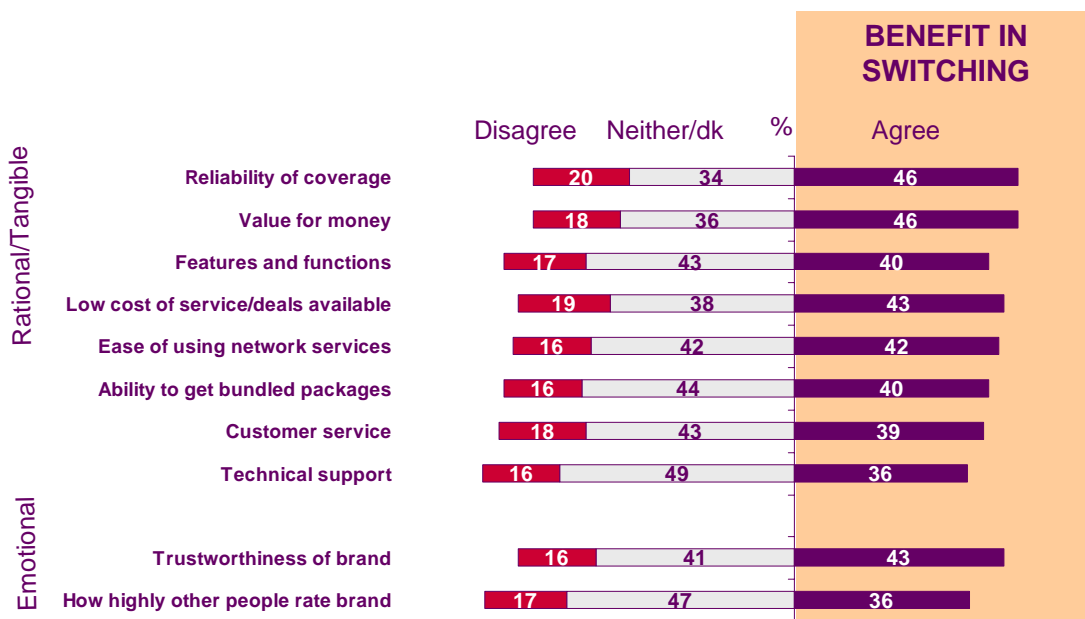
Figure 28: Whether current supplier is the best on the market²⁵



Breaking this down into elements of product, service, price and brand, Figure 29 shows that a similar proportion of consumers agreed that there were better alternatives available from other suppliers on all these aspects - including trustworthiness and reliability of service, where current suppliers were perceived as performing most strongly (the elements are categorised into rational/tangible versus emotional/intangible factors, then listed in order of the performance of the current supplier). This is true among post- and pre-pay consumers.

It follows from this that being satisfied does not necessarily mean there are no perceived benefits to switching - satisfaction in itself is not sufficient to deter consumers from looking elsewhere for a better alternative.

Figure 29: Whether there are better alternatives available from other suppliers²⁶



²⁵ Base: All, Mobile (500).

²⁶ Base: All, Mobile (500). 'Disagree' comprises Disagree and Disagree strongly ratings, 'Agree' comprises Agree and Agree strongly ratings.

5.3 A review of the factors that discourage participation: the expected drawbacks of participating

5.3.1 The perceived barriers to shopping and/or switching suppliers

Figure 30 shows the various procedural and psychological barriers that were perceived by consumers, from which it is clear that the greatest deterrent to shopping for an alternative mobile phone network supplier was the possibility of getting locked into a contract with a new company: around two-thirds of consumers (68%) agreed that they would be put off by this.

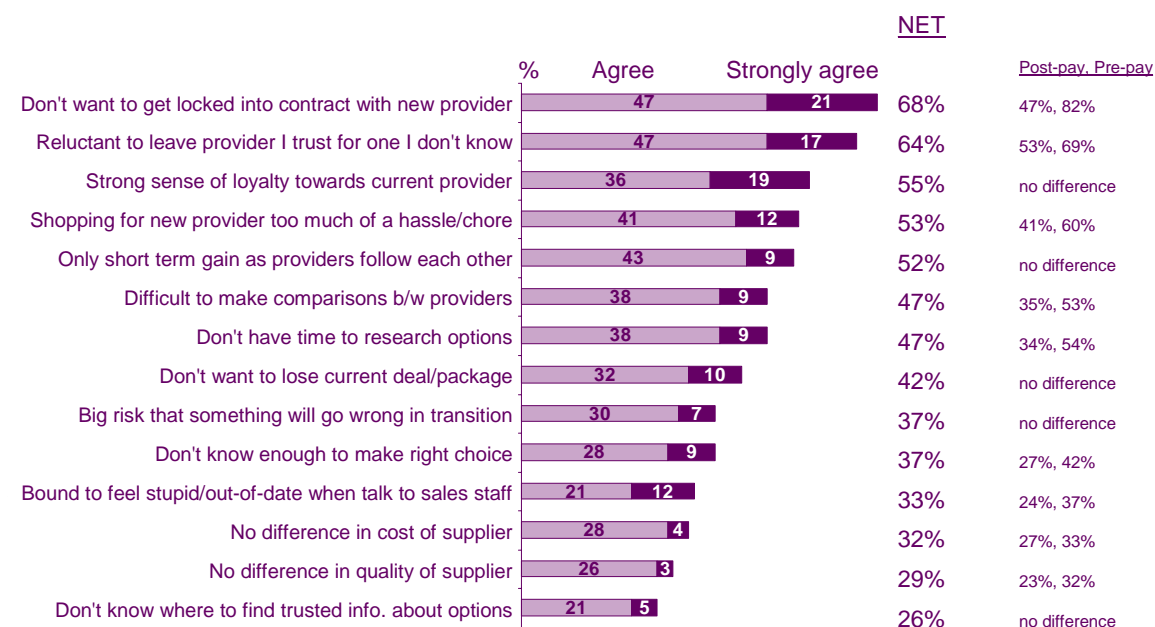
Reflecting a similar sentiment, the second greatest barrier to shopping was reluctance to leave a known and trusted supplier for one that was unfamiliar, an issue for 64% of consumers. This indicates the extent to which consumers value their relationships with their mobile phone network supplier. More than one in two (55%) agreed that they had a strong sense of loyalty to their existing network supplier.

In this market, contract consumers are also potentially bound to their suppliers having negotiated or been given special deals: two fifths (42%) of consumers expressed concern about losing the package or deal they were on.

The process of shopping itself was likely to discourage around half of the consumers surveyed: 53% agreed that shopping for a new supplier was too much hassle, 47% agreed that it was difficult to make comparisons between suppliers and 47% agreed that they didn't have enough time to research the options. Moreover, the majority (52%) perceived that the gain would be short term because all the suppliers follow each other.

As Figure 30 also shows, this is particularly the case among pre-pay consumers, who perceived higher barriers to shopping than those on contracts: 82% of pre-pay users agreed they didn't want to be locked into contracts with a new provider (perhaps not surprising since they are on a more flexible payment option). They were also significantly more likely to regard shopping for a new network supplier as an onerous process, approaching it with lower levels of interest and confidence than contract users: 60% regarded shopping as a hassle, 54% wouldn't have time to research all the options, 53% felt it would be difficult to compare suppliers and 42% said they wouldn't know enough to make the right choice.

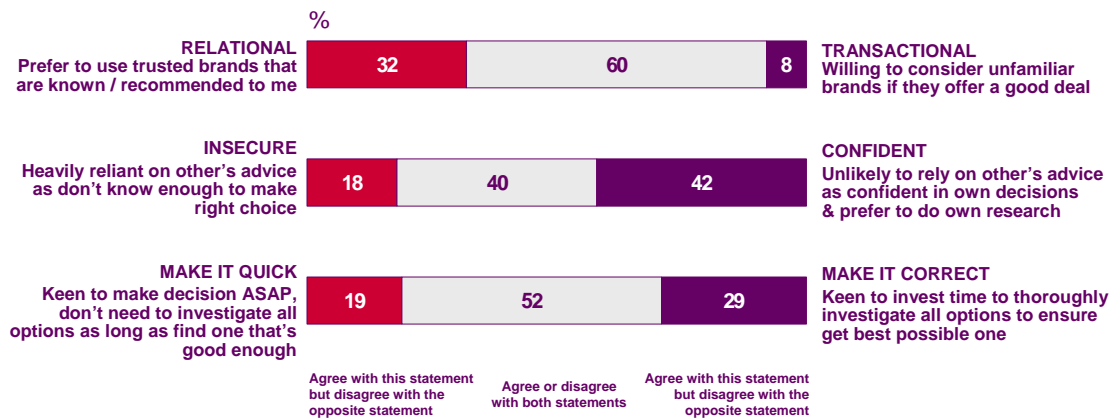
Figure 30: The perceived barriers to shopping and/or switching suppliers²⁷



5.3.2 The consumer mindsets that influence perceived barriers

Figure 31 shows that the majority of consumers fall somewhere in the middle of the various attitude dimensions tested but at an overall level, consumers were more likely than not to value their relationship with their current network supplier (32% were 'relational' and 8% were 'transactional'), had a reasonable degree of confidence in their understanding and judgement in the category (42%) and were more likely than not to be willing to spend the time finding the best possible option rather than accept a solution that was felt to be 'good enough' (29% and 19% respectively).

Figure 31: The consumer mindsets that influence perceived barriers



The impact of these attitudes on likely participation in the mobile phone market is demonstrated by looking at the profile of each participation segment on each of these typologies, as shown in Figure 32. The shading indicates which attitudes each segment is significantly more likely to demonstrate. This analysis shows that inactive consumers were significantly more likely to be 'relational' than 'transactional' people (39% and 14% respectively) and were willing to accept a solution that they felt was 'good enough' rather than investigate all options to find the 'best' one (44% and 17% respectively).

Conversely, engaged consumers were more willing to spend the time to find the 'best' option (31%) and were more willing to consider unfamiliar brands if they offered a good deal (37%).

Figure 32: The consumer mindsets of the four participation segments²⁸

NET AGREE	Inactive	Passive	Interested	Engaged
Weighted base	153	136	110	101
Share of market	31%	27%	22%	20%
RELATIONAL Prefer to use trusted brands that are known or recommended	39%	26%	20%	14%
TRANSACTIONAL Willing to consider unfamiliar brands if they offer a good deal	14%	26%	23%	37%
INSECURE Heavily reliant on other people's advice as don't know enough to make right choice	36%	23%	20%	22%
CONFIDENT Unlikely to rely on other people's advice as confident in own decisions and prefer to do own research	29%	26%	24%	21%
MAKE IT QUICK Keen to make decision ASAP - don't need to investigate all options as long as found something that's good enough	44%	34%	17%	5%
MAKE IT CORRECT Keen to invest time to thoroughly investigate all options to make sure get best option	17%	24%	25%	31%

5.4 The trade-off between the expected benefit and the expected drawbacks of participation: the key drivers of participation

Further analysis reveals that of all the motivations and barriers identified through research, there are six key factors that drive the decision as to whether or not to participate in the mobile phone market.

In summary, lack of perceived differentiation in the market, the effort required to shop and inertia all drive non-participation, while interest in technology and the importance of price both drive participation.

Figure 33 shows that inactive consumers displayed significantly higher levels of inertia than other segments (significant differences are indicated by the shaded areas in the table): the vast majority (76%) were reluctant to leave their trusted provider and 86% did not want to get locked into new contracts (compared to 56% and 53% of engaged consumers respectively). They also lacked conviction in market differentiation: the majority (67%) believed that any gain would be short term given that all the suppliers followed each other (compared to 39% of engaged consumers).

Moreover, the perceived effort of shopping was significantly higher amongst this segment: the majority (70%) felt that shopping was a hassle and more than half appeared to be put off by the difficulties they expected to encounter in terms of finding time to research the options and making comparisons. Confidence also appears to be more of an issue for some inactive consumers as 48% did not feel they knew enough to make the right choice and 42% expressed concern about appearing stupid in front of sales staff.

²⁸ Base: All, Mobile (500). Shaded boxes indicate significant difference at 95%.

Figure 33: The drivers of non-participation²⁹

	Inactive	Passive	Interested	Engaged
Weighted base	153	136	110	101
Share of market	31%	27%	22%	20%
NO DIFFERENCE BETWEEN SUPPLIERS	% agreeing			
Switching only gives short term gain because all follow each other	67%	47%	50%	39%
No difference in quality of service	37%	28%	26%	22%
No difference in cost of service	36%	30%	28%	29%
EFFORT				
Difficult to make comparisons between suppliers	53%	47%	45%	37%
Don't have time to research the options	60%	45%	48%	29%
Don't know where to find trusted information about what options are available	25%	24%	32%	22%
Shopping for a new supplier too much hassle	70%	53%	44%	41%
Don't know enough to make right choice	48%	35%	36%	25%
Bound to feel stupid when I speak to sales staff	42%	26%	34%	26%
INERTIA				
Reluctant to leave supplier I trust for one I don't know	76%	66%	51%	56%
Don't want to get locked into a contract with a new supplier	86%	75%	57%	53%

Figure 34 shows that engaged consumers were more interested in technology: the majority (88%) were willing to spend time looking at all the options to make sure they got the best one for them (compared to 42% of inactive consumers) and they were significantly more likely to be early adopters (37% and 8% respectively).

The more participatory segments (interested and engaged consumers) were also the most price-driven. While the majority (at least 85%) of all consumers in this market agreed that the low cost of their service and overall value for money were very important to them, interested and engaged consumers were significantly more likely to make this claim (97% and 98% respectively).

Figure 34: The Drivers of Participation³⁰

	Inactive	Passive	Interested	Engaged
Weighted base	153	136	110	101
Share of market	31%	27%	22%	20%
INTEREST IN TECHNOLOGY:	% agreeing			
KEEN TO INVEST TIME to thoroughly investigate all the options to make sure I get the best possible option	42%	54%	73%	88%
LIKE TO BUY LATEST cutting edge technology as soon as it is available	8%	13%	25%	37%
PRICE				
Low cost of service / deals available (Very/Fairly Important)	85%	89%	96%	97%
Overall value for money (Very/Fairly Important)	96%	92%	98%	98%

²⁹ Base: All, Mobile (500). Shaded boxes indicate significant difference at 95%.

³⁰ Base: All, Mobile (500). Shaded boxes indicate significant difference at 95%.

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In summary, the evidence suggests that in the face of complexity and lack of market differentiation (perceived or actual), inactive consumers will stay with what they know and trust, even though it might not be the 'best' option. Any efforts made to influence these key drivers, for example by convincing them of the tangible benefits of any new service over and above their existing set-up, by making the decision-making process easier to go through or by helping consumers to overcome their inertia and move out of their comfort zones, stand the greatest chance of furthering participation in the mobile phone market.

Section 6

Participation in the Consumer Internet Market

This section reviews the extent and nature of consumer participation in the internet market.

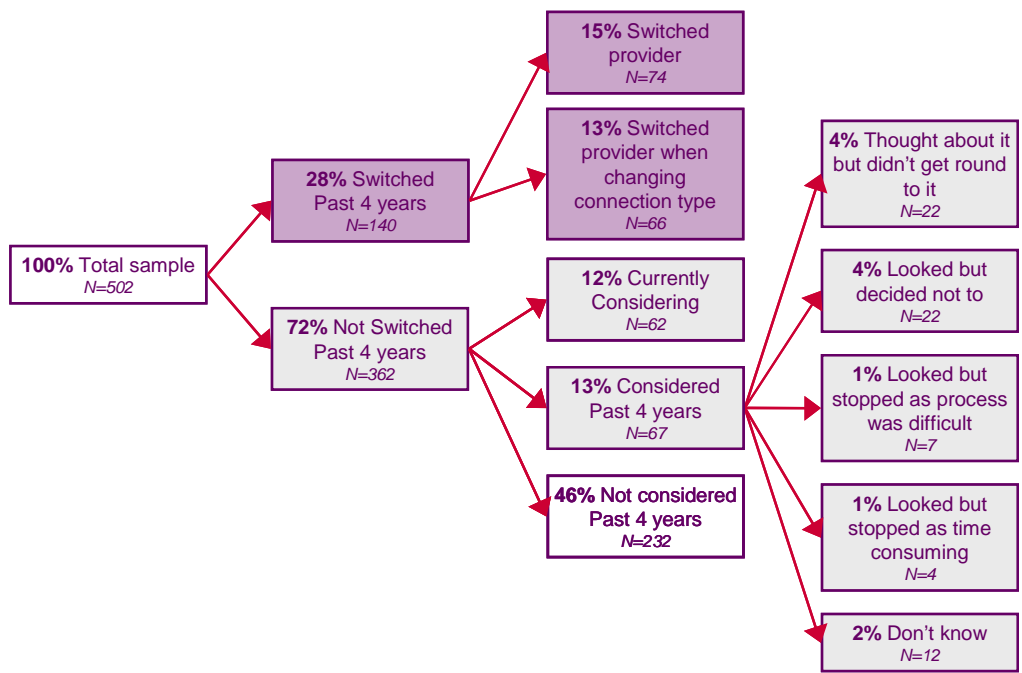
6.1 The extent of consumer participation in the internet market

The research shows that while some consumers in the internet market have not considered changing their internet service provider (ISP), they are ‘participating’ in other ways, as the following sub-sections (6.1.1 to 6.1.4) will illustrate.

6.1.1 Past decision-making behaviour

Figure 35 shows that just over a quarter (28%) of the internet consumers surveyed had changed the supplier providing their household’s internet connection in the last four years. However three-quarters (72%) had not switched in this time period and the majority (46%) had not even considered doing so. Even among the 13% who had considered switching, not all had actively started looking for an alternative.

Figure 35: Changing supplier in the last four years³¹



³¹ Base: All, Internet (502). Percentages represent share of total sample.

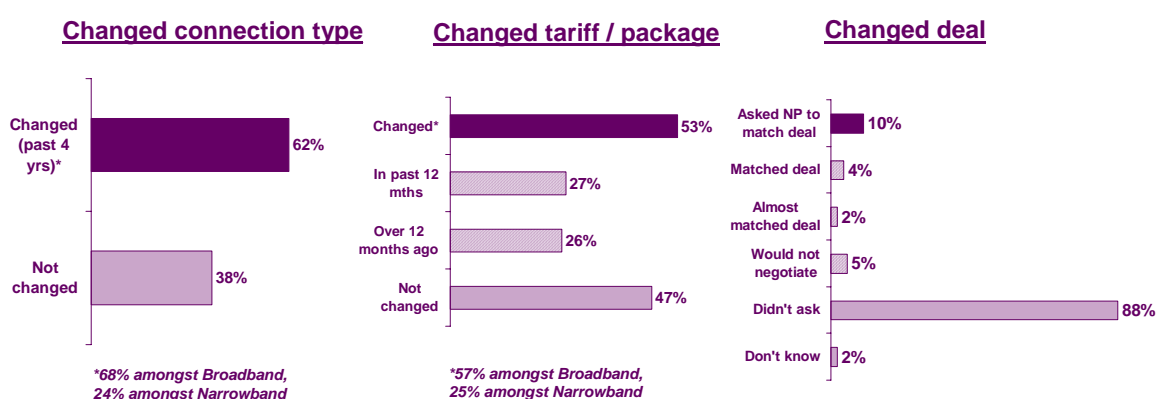
Consumer Decision Making in the Telecoms Market

Regardless of whether or not they had switched ISP in the last four years, analysis shows that almost three-quarters (72%) had made some change to their existing service with their current ISP in this time period. Figure 36 shows how this percentage breaks down.

The data shows that this was mainly the result of consumers switching connection type (62% had done this) and/or switching tariff, including upgrades to connection speed (53% had done this) - few (10%) had re-negotiated their deal (i.e. asked their current ISP to match a better deal they had seen elsewhere).

Narrowband users were significantly less likely to have made any changes to their existing package than broadband users: 24% had changed connection type and 25% had changed their tariff or package.

Figure 36: Changing service with existing supplier³²



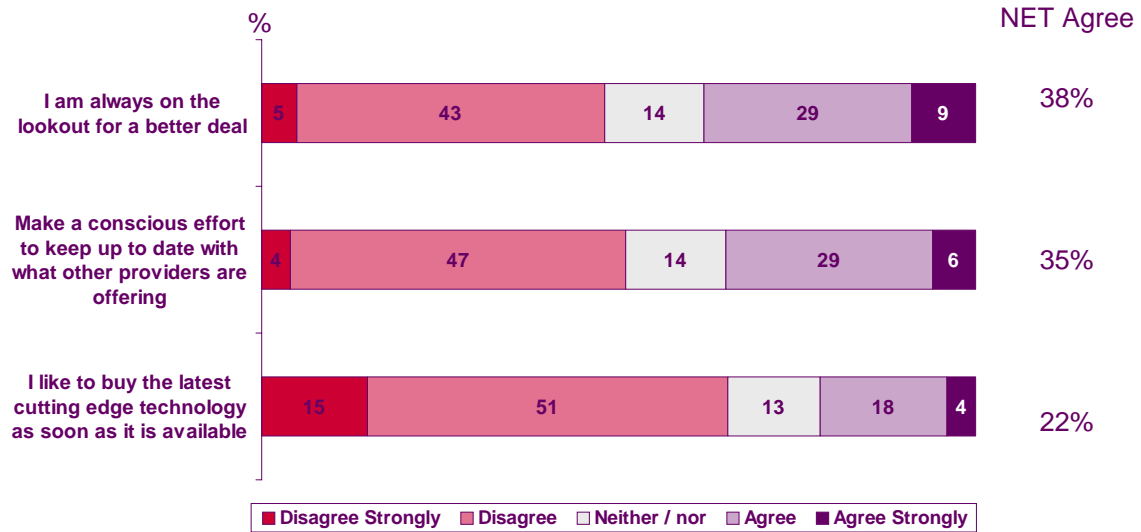
6.1.2 Current decision-making behaviour

Figure 37 shows that around one in three consumers claimed to keep an eye on the internet market: 38% agreed that they were always on the look-out for a better deal and a similar proportion (35%) agreed that they made a conscious effort to keep up-to-date with what other ISPs were offering.

In this market, as many as one in five consumers can be classified as early adopters – derived from the 22% who agreed that they liked to buy the latest cutting edge technology.

³² Base: (Q2ai) All with current supplier for one year or more, (431). (Q2aii) All, Fixed line (500)

Figure 37: Degree of engagement with market currently³³



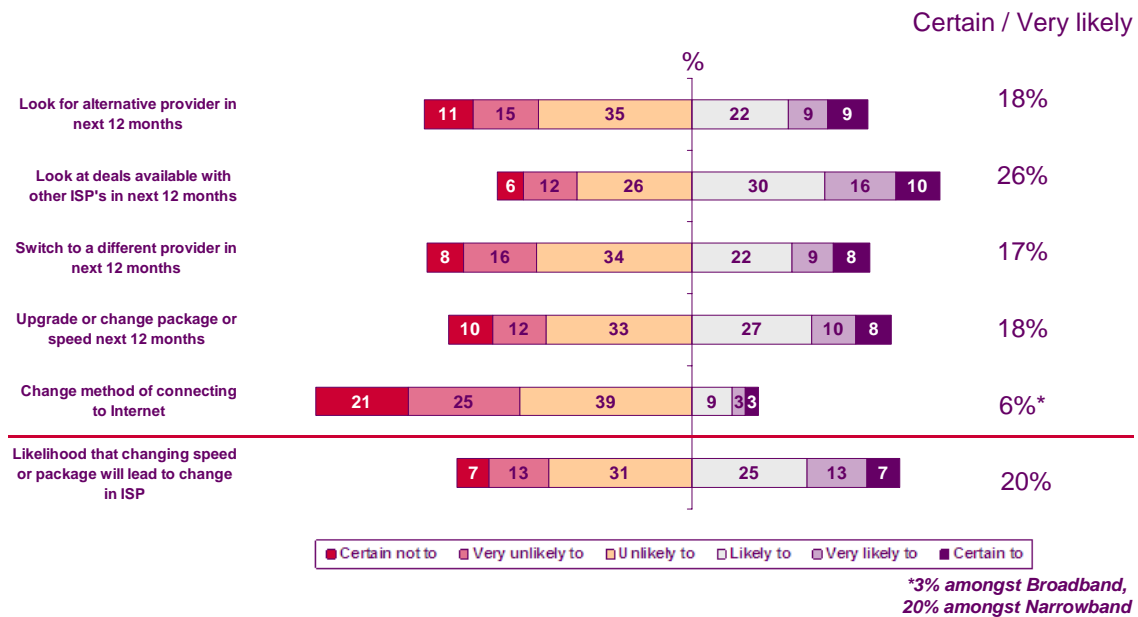
6.1.3 Future decision-making behaviour

Figure 38 shows that around a fifth of the internet consumers surveyed intended to start shopping around for a new supplier in the next twelve months: 18% claimed they were certain/very likely to look for an alternative ISP and as many as 26% claimed they were certain/very likely to look at other deals available. A similar proportion actually had plans to switch (17%) or change their existing package (18%).

At a market level, 6% are likely to change connection type in the next twelve months but this rises to 20% among existing narrowband users, who now represent a minority of the overall internet market.

³³ Base: All, Internet (502). Net Agree percentage comprises Agree and Agree Strongly ratings.

Figure 38: Anticipated likely behaviour in the next twelve months³⁴

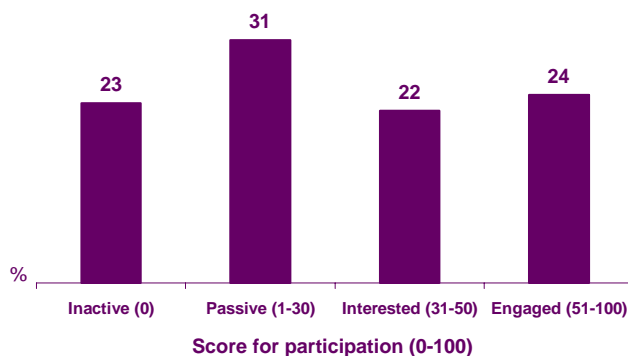


6.1.4 An overview of participation across the three time dimensions: past, present and future

Taking each of these aspects of consumer behaviour into account, each respondent was allocated a composite score out of 100 to reflect their overall participation across the three time dimensions researched. Figure 39 shows the four 'participation' segments that emerge.

In the internet market, 'inactive' consumers accounted for just under a quarter (23%) of the market. What this suggests is that although almost half of consumers (46%) in this market had not even considered changing their ISP (see section 6.1.1), they were 'participating' in other ways. In other words, the Participation Index shows a significantly lower proportion of consumer non-participation than the degree of switching behaviour initially suggests.

Figure 39: The distribution of participation scores³⁵



³⁴ Base: All, Internet (502). Question asked on a six point scale (Certain not to, Very unlikely to, Unlikely to, Likely to, Very likely to and Certain to).

³⁵ Base: All, Internet (502). Calculations and approach used to derive participation scores detailed in technical appendix.

Figure 40 shows the behaviours demonstrated by each of the four ‘participation’ segments. The arrows on the table indicate the aspects of behaviour where there is a minimum gap of 20% between the responses of the respective segments - these help to identify the behaviours that define the four participation segments as different from each other.

Inactive consumers displayed little evidence of prior involvement in the market. Although more than half (54%) had changed their connection type in the last twelve months, none had actually switched ISP - the 16% who had considered changing their ISP had not got around to doing anything about it. Inactive consumers are also distinguished by the fact that they made no effort to keep up-to-date with the market and had no plans to become more involved in future.

Passive consumers are distinguished from the inactive segment mainly by the fact that while similar proportions (61%) had changed their connection type in the last twelve months, 30% had actually switched their ISP at the same time. This group also indicated comparatively low levels of activity in terms of keeping an eye on the market and displayed limited interest in making changes to their internet service in the near future.

Interested consumers are distinguished from passive consumers mostly on the basis of how engaged they are with the market generally, with around half claiming to keep a close eye on the market (52% made an effort to keep up-to-date with new offerings and 49% kept a look-out for better deals). However, their future intentions were only slightly stronger.

Engaged consumers are unique among the segments for the fact that they indicated activity on all three time-dimensions: past, present and future. They were more likely to have made changes to their existing package (56%). They displayed higher levels of interest in the market generally (74% kept an eye on competitor offerings and 89% were always on the look-out for better deals). More than a third anticipated switching ISP (39%) and even greater proportions were planning to at least look around for a new ISP/new deals (44% and 59% respectively).

Figure 40: The behavioural profile of the four participation segments

	Inactive	Passive	Interested	Engaged
Weighted base	117	155	108	122
Share of market	23%	31%	22%	24%
PAST BEHAVIOUR				
Switched past 4 years	0%	16%	15%	27%
Considered switching	16%	30%	32%	65%
Changed tariff/deal with current ISP past 12 months	0%	18%	35%	56%
Changed connection method past 12 months	54%	61%	64%	68%
Changed ISP at that time	0%	30%	30%	48%
Seen better deal and asked ISP to match (yes net)	0%	3%	11%	25%
PRESENT BEHAVIOUR				
Make effort to keep up to date with market (agree net)	0%	15%	52%	74%
Always on look out for better deal (agree net)	0%	17%	49%	89%
FUTURE BEHAVIOUR				
Look at alternative ISP (certain/very likely to)	0%	13%	13%	44%
Look at deals available (certain/very likely to)	0%	16%	26%	59%
Switch to a different ISP (certain/very likely to)	0%	10%	18%	39%
Upgrade connection speed/package (certain/very likely to)	0%	15%	19%	35%
Change connection method (certain/very likely to)	0%	5%	5%	11%

Interestingly there were few demographic differences between the four ‘participation’ segments, as Figure 41 illustrates. Engaged consumers were significantly more likely to be younger and male (i.e. early adopters) as indicated by the shading in the table. However, inactive consumers were not necessarily the more vulnerable groups (i.e. older and/or lower socio-demographic group). Nor were there any differences in spend between the segments, narrowband users and broadband users being represented across all four groups (while broadband users are slightly better represented among engaged consumers, the difference is not significant).

As later sections will show, what defines the degree of consumer engagement with the internet market is the expected benefit versus the expected drawbacks that they perceive as being associated with participation. In other words, the differences are driven by differences in attitudes and behaviours rather than by differences in demographics.

Figure 41: The socio-demographic profile of the four participation segments³⁶

	Inactive	Passive	Interested	Engaged
Weighted base	117	155	108	122
Share of market	23%	31%	22%	24%
Male	46%	51%	51%	68%
Female	54%	49%	49%	32%
16-24	2%	8%	8%	13%
25-44	52%	46%	44%	50%
45-64	32%	39%	35%	30%
65+	14%	7%	12%	8%
AB	32%	42%	31%	26%
C1	36%	27%	33%	33%
C2	20%	16%	19%	18%
DE	12%	15%	18%	18%
Married / de facto	76%	74%	71%	69%
Work full time / part time	80%	82%	73%	73%
Average monthly bill	£19.85	£18.86	£19.52	£21.01
Narrowband	32%	34%	30%	20%
Broadband	68%	66%	71%	80%

6.2 A review of the factors that encourage participation: the expected benefit of participating

The motivation to participate is a function of:

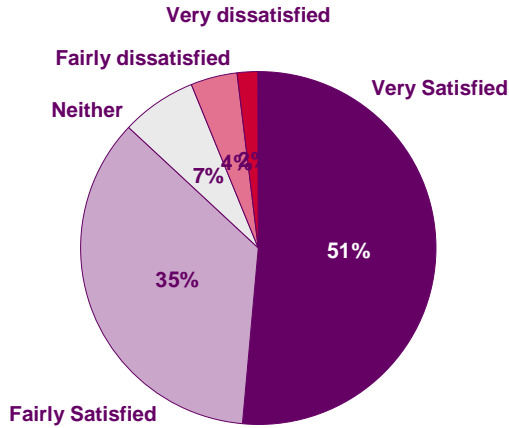
- a) a consumer’s estimate of the performance of their existing supplier; and
- b) whether or not they believe there are better alternatives available from other suppliers on the aspects of service that matter to them.

If the market is perceived to be undifferentiated and/or if their current supplier is perceived to be the best on the market on the criteria that are important, there is no expected benefit from switching.

³⁶ Base: All, Internet (502). Shaded boxes indicate significant difference at 95%. Red oval to indicate areas of interest in discussion.

Figure 42 indicates that half (51%) were very satisfied with their overall experience with their current ISP and another third (35%) were fairly satisfied.

Figure 42: Satisfaction with overall experience from current supplier³⁷



This satisfaction is evident across various aspects of the ISP’s offering, including both the rational/tangible aspects of product performance as well as the emotional/intangible aspects of brand performance. Figure 43 details the ratings of providers on a range of performance attributes. As with the satisfaction ratings shown above, it is clear that ratings were generally high, with reliability and speed of connection the two highest-rated factors. As with each of the other markets, the ability to get bundled packages was the major area of weakness.

Figure 43: Perceived performance of current supplier³⁸

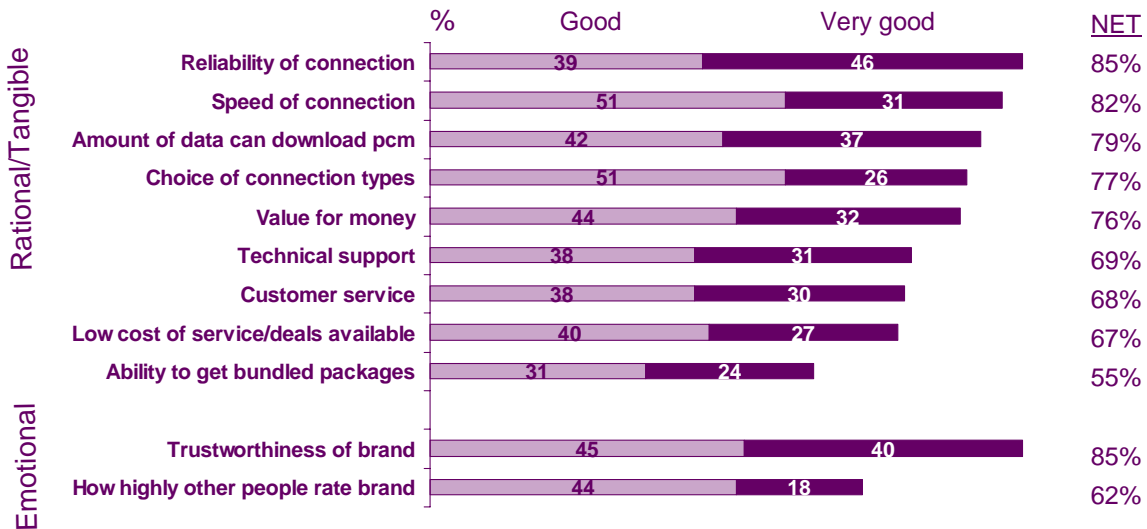


Figure 44 plots the perceived performance of the current ISP on these aspects, against their perceived importance to the consumer. This analysis can identify the relevant aspects of

³⁷ Base: All, Internet (502).

³⁸ Base: All, Internet (502).

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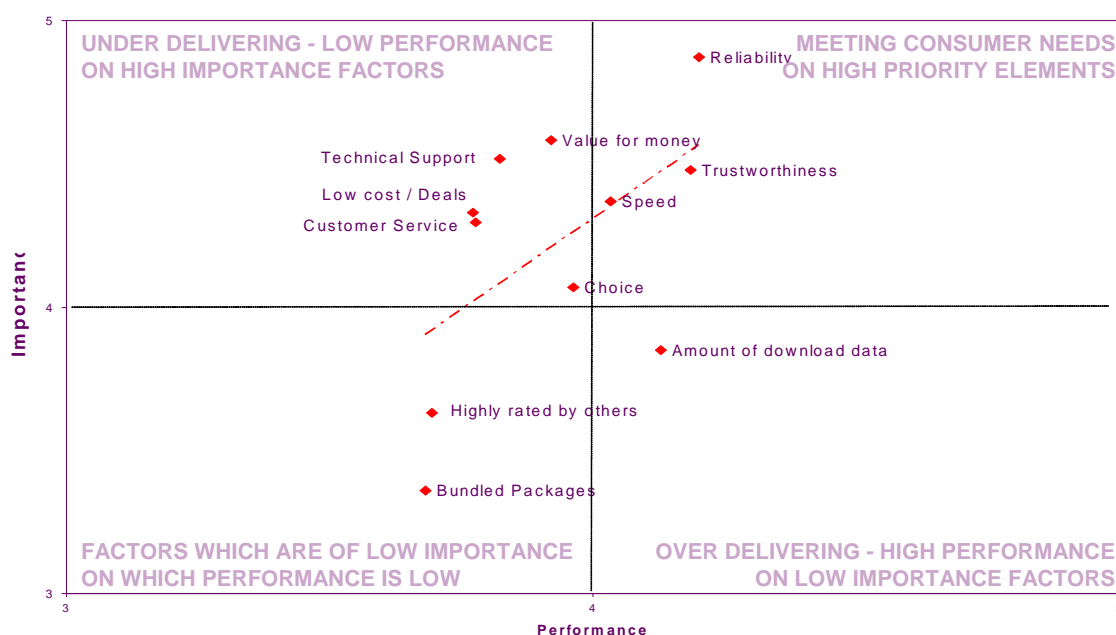
service on which suppliers are performing relatively poorly, or areas on which the market could better meet consumer needs.

Figure 44 shows that reliability, trust and connection speed all fall within the top right quadrant: not only are these of high importance to consumers, they are also areas on which the market is performing very well. Therefore the market may be regarded as meeting consumer needs on these key dimensions.

However, in the internet market, several market deficits were evident. Price (in terms of low cost of service and value for money), along with service (in terms of customer service and technical support), fall within the top left quadrant. As such they represent an opportunity for ISPs to improve performance. Choice (in terms of connection types and speeds available) also falls on the margins of this quadrant, although it is less important overall, meaning that there is less of a gap in terms of unfulfilled needs.

A few differences by connection type are worth noting: broadband users place significantly greater value in reliability, speed and amount of data they could download each month than narrowband users, and gave their ISP higher ratings on these aspects of their service, along with technical support.

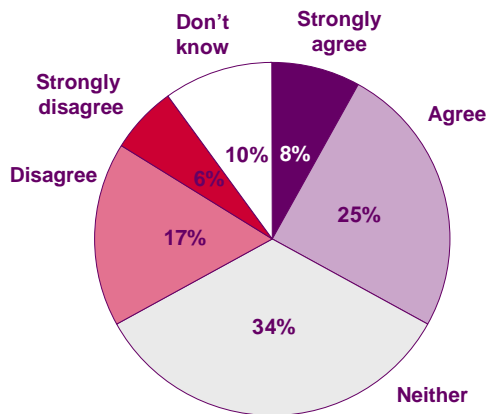
Figure 44: Performance of current supplier versus importance of key aspects of service³⁹



Despite a majority of consumers expressing satisfaction with the performance of their current ISP, only a third of consumers (33%) agreed that they were the best on the market (see Figure 45).

³⁹ Base: All, Internet (502). 5-point scale used for Importance (5. Very important, 4. Fairly important, 3. Neither / nor, 2. Fairly unimportant, 1. Very unimportant) and Performance (5. Very good, 4. Good, 3. Neither / nor, 2. Poor, 1. Very poor). The two tangents on the chart bisect the importance and performance axes at a 'score' of 4 on each axis (Fairly Important and Good Performance). In order to show greatest differentiation and relative strengths and weaknesses for all three markets the chart does not display the full scale – with the lower range of scores not shown on each axis.

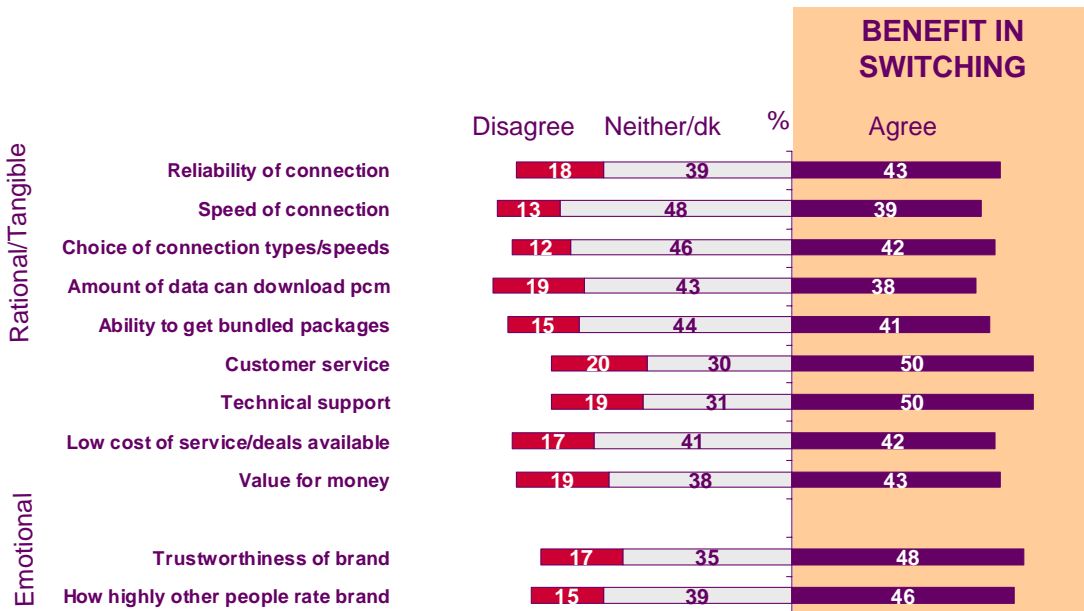
Figure 45: Whether current supplier is the best on the market⁴⁰



Breaking this down by product, service, price and brand, figure 46 shows that a similar proportion of consumers agreed that there were better alternatives available from other ISPs on all these areas - even on reliability of service and trustworthiness, where current ISPs were perceived as performing most strongly. (The elements are categorised into rational/tangible versus emotional/intangible factors, then listed in order of the performance of the current supplier). Moreover, broadband users were no more likely than narrowband users to believe that there were better alternatives available on these dimensions.

It follows from this that being satisfied does not necessarily mean there are no perceived benefits to switching - satisfaction in itself is not sufficient to deter consumers from looking elsewhere for a better alternative.

Figure 46: Whether there are better alternatives available from other suppliers⁴¹



⁴⁰ Base: All, Internet (502).

⁴¹ Base: All, Internet (502). 'Disagree' comprises Disagree and Disagree strongly ratings, 'Agree' comprises Agree and Agree Strongly ratings.

6.3 A review of the factors that discourage participation: the expected drawbacks of participating

6.3.1 The perceived barriers to shopping and/or switching suppliers

Figure 47 shows the various procedural and psychological barriers that were perceived by consumers, from which it is clear that the greatest deterrent to shopping for an alternative ISP was the possibility of getting locked into a contract with a new supplier (68% agreed with this statement).

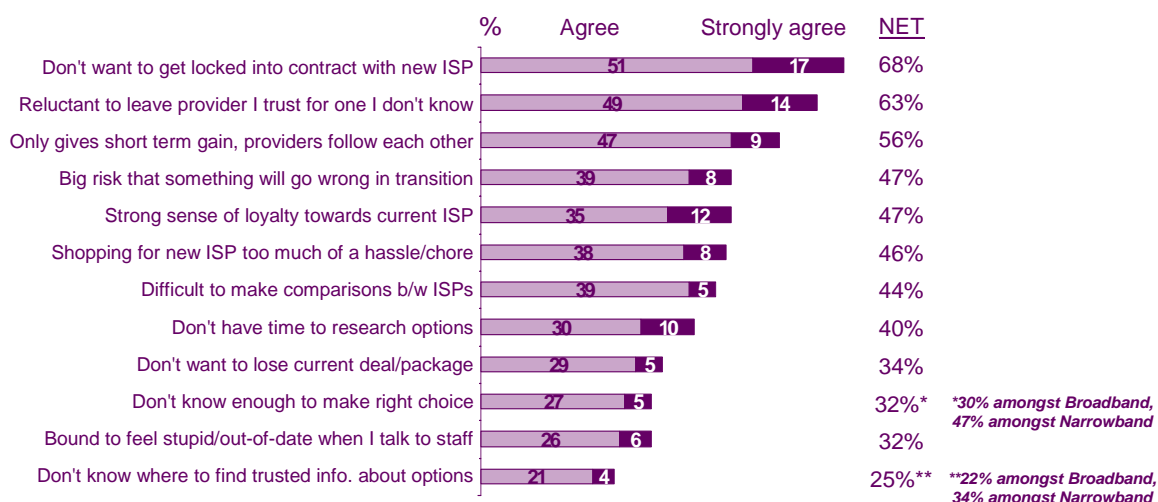
Reflecting a similar sentiment, the second greatest barrier to shopping was reluctance to leave a known and trusted ISP for one that was unfamiliar, an issue for 63% of consumers. Almost one in two (47%) agreed that they had a strong sense of loyalty to their existing ISP.

Another major barrier was the perception that any gains would be short term because all the ISPs follow each other (56% agreed with this statement).

The process of shopping itself was likely to discourage fewer than half of consumers: 46% agreed that shopping for a new supplier was too much hassle, 44% agreed that it was difficult to make comparisons between ISPs and 40% agreed that they didn't have enough time to research the options.

At a total market level, finding trusted information sources and knowing how to make the right choice from this information were less likely to discourage participation than other factors. However, narrowband users perceive these to be more of an obstacle than broadband users: 47% didn't feel they knew enough to make the right choice and 34% didn't know where to find trusted information about what options are available.

Figure 47: The perceived barriers to shopping and/or switching suppliers⁴²



6.3.2 The consumer mindsets that influence perceived barriers

Figure 48 shows that the majority of consumers fall somewhere in the middle of the various attitude dimensions tested but at an overall level, consumers were more likely than not to

⁴² Base: All, Internet (502).

value their relationship with their current ISP (29% were ‘relational’ and 10% were ‘transactional’), had a fair degree of confidence in their understanding and judgement in the category (43%) and were more likely than not to be willing to spend the time finding the best possible option rather than accept a solution that is ‘good enough’ (36% and 13% respectively).

Figure 48: The consumer mindsets that influence perceived barriers



The impact of these attitudes on likely participation in the market is demonstrated by looking at the profile of each participation segment on each of these typologies, as shown in Figure 49. The shading indicates which attitudes each segment is significantly more likely to demonstrate. This analysis shows that inactive consumers were significantly more likely to be ‘relational’ than ‘transactional’ people (31% and 14% respectively) and were willing to accept any solution as long as it was ‘good enough’ rather than investigate all options to find the best one (37% and 16% respectively).

Conversely, the more participatory segments (interested and engaged consumers) are more willing to spend the time to find the ‘best’ option for them (25% and 35% respectively). These two segments also displayed significantly greater confidence than less engaged groups: 26% of interested consumers and 28% of engaged consumers were unlikely to rely on other people’s advice, preferring to do their own research and make their own decisions.

Figure 49: The consumer mindsets of the four participation segments⁴³

NET AGREE	Inactive	Passive	Interested	Engaged
Weighted base	117	155	108	122
Share of market	23%	31%	22%	24%
RELATIONAL Prefer to use trusted brands that are known or recommended	31%	33%	22%	14%
TRANSACTIONAL Willing to consider unfamiliar brands if they offer a good deal	14%	37%	15%	34%
INSECURE Heavily reliant on other people's advice as don't know enough to make right choice	26%	39%	12%	24%
CONFIDENT Unlikely to rely on other people's advice as confident in own decisions and prefer to do own research	21%	25%	26%	28%
MAKE IT QUICK Keen to make decision ASAP - don't need to investigate all options as long as found something that's good enough	37%	43%	13%	8%
MAKE IT CORRECT Keen to invest time to thoroughly investigate all options to make sure get best option	16%	24%	25%	35%

6.4 The trade-off between the expected benefit and the expected drawbacks of participation: the key drivers of participation

Further analysis reveals that of all the motivations and barriers identified through research, there are six key factors that drive the decision as to whether or not to participate in the internet market.

In summary, satisfaction with current ISP and perceived effort of shopping drive non-participation, while participation is a function of patience with the shopping process, interest in technology and desire for low cost and/or willingness to consider unfamiliar brands if offered a good deal.

Figure 50 shows that inactive consumers displayed significantly higher levels of satisfaction with their current ISP than other segments (significant differences are indicated by the shaded areas in the table): 92% compared to 74% of engaged consumers – further analysis established differing perceptions as regards value for money, reliability, customer service and trustworthiness as being the key components of this difference.

Moreover, the perceived effort of shopping was significantly higher among this segment: the majority (67%) believed that the process of shopping for a new ISP was too much of a hassle. In addition, many appeared to expect the process to be difficult in terms of comparing ISPs (57%) and didn't think they had the time to research all the options (56%).

Passive consumers displayed close similarities to inactive consumers on all these factors.

⁴³ Base: All, Internet (502). Shaded boxes indicate significant difference at 95%.

Figure 50: The drivers of non-participation⁴⁴

	Inactive	Passive	Interested	Engaged
Weighted base	117	155	108	122
Share of market	23%	31%	22%	24%
SATISFACTION	% agreeing			
Satisfied	92%	93%	85%	74%
EFFORT				
Difficult to make comparisons between suppliers	57%	48%	39%	35%
Don't have time to research the options	56%	47%	27%	29%
Don't know where to find trusted information about what options are available	29%	28%	16%	23%
Shopping for a new supplier too much hassle	67%	52%	35%	32%

Figure 51 shows that engaged consumers are unique in the degree to which they are price driven. While the majority (at least 78%) of all consumers in this market agreed that the low cost of their service was very important to them, engaged consumers were significantly more likely to make this claim (98%). This segment was more interested in bundled packages (which were important to 65% of engaged consumers compared to 41% of Inactive consumers). They were also more willing to consider unfamiliar brands offering them a good deal (74% compared to 42% of inactive consumers).

Engaged consumers displayed greater levels of interest and enthusiasm for technology than other segments: the vast majority (90%) were willing to spend time looking at all the options to make sure they got the 'best' one for them (compared to 45% of inactive consumers) and they were more than twice as likely to be early adopters (35% and 13% respectively).

Figure 51: The drivers of participation⁴⁵

	Inactive	Passive	Interested	Engaged
Weighted base	117	155	108	122
Share of market	23%	31%	22%	24%
INTEREST IN TECHNOLOGY:	% agreeing			
KEEN TO INVEST TIME to thoroughly investigate all the options to make sure I get the best possible option	45%	55%	76%	90%
LIKE TO BUY LATEST cutting edge technology as soon as it is available	13%	14%	26%	35%
DEAL DRIVEN				
Low cost of service / deals available important	78%	87%	88%	98%
Ability to get bundled packages important	41%	55%	52%	65%
TRANSACTIONAL				
Willing to consider unfamiliar brands if they offer a good deal	42%	48%	57%	74%

In summary, the evidence suggests that in the face of complexity (perceived or actual), inactive consumers are adopting fallback, risk-averse strategies and will stay with what they know and trust, even though it might not be the 'best' option. Any efforts made to influence these key drivers, for example by helping consumers to overcome their inertia and move out of their comfort zones, by allaying fears regarding the potential risks associated with switching services, or by convincing them of the tangible benefits of any new service over

⁴⁴ Base: All, Internet (502). Shaded boxes indicate significant difference at 95%.

⁴⁵ Base: All, Internet (502). Shaded boxes indicate significant difference at 95%.

and above their existing set-up, stand the greatest chance of furthering participation in the internet market.

Section 7

A Cross-Market Comparison of Participation

This section seeks to understand the level and nature of participation across the telecoms market as a whole by considering the key findings from the fixed line, mobile phone and internet markets side by side.

Figure 52 shows the overall levels of participation in all three markets, from which it can be seen that the internet market demonstrates the greatest degree of activity: 24% of internet consumers fall within the engaged segment compared to 20% in the mobile phone market and 18% in the fixed line market. Consumers are slightly less engaged in the fixed line and mobile phone markets, which indicate broadly similar levels of activity to each other.

Figure 52: Levels of participation in the fixed line, mobile phone and internet markets⁴⁶

	Landline (500)	Mobile Phone (500)	Internet (502)	
Old Measure	PAST BEHAVIOUR			
	Switched in past 4 years	34%	38%	28%
	Considered switching in past 4 years	14%	10%	25%
	Not considered switching in past 4 years	52%	51%	46%
New Measure	PAST/PRESENT/FUTURE BEHAVIOUR			
	Inactive	28%	31%	23%
	Passive	33%	27%	31%
	Interested	22%	22%	22%
	Engaged	18%	20%	24%

Figure 53 illustrates the key factors that drive non-participation in each market (the relevant drivers for each market are identified by a cross in the table). Overall there are more differences than similarities between the three markets:

- in the fixed line market, inertia and lack of perceived differentiation in the market are the key obstacles to participation;
- in the mobile phone market both of these factors play a part but consumers are also discouraged by the perceived effort involved in the shopping process;
- in the internet market the onerous shopping process is also a key barrier but the other major factor is that consumers are simply satisfied with their existing ISP.

⁴⁶ Base: All Fixed line (500), Mobile (500) and Internet (502)

Figure 53: The drivers of non-participation in the fixed line, mobile phone and internet markets⁴⁷

DRIVERS OF NON-PARTICIPATION	Landline	Mobile Phone	Internet
INERTIA			
Reluctant to leave a provider I trust for one I don't know	X	X	
Big risk that something will go wrong in the transition	X		
Don't want to lose deal/package as can't get it elsewhere	X		
EFFORT			
Shopping for a new supplier is a hassle/chore		X	X
Don't have time to research all the options		X	X
Difficult to compare between suppliers		X	X
Don't know where to find trusted info. about options		X	X
Don't know enough to make the right choice		X	
Bound to feel stupid or out-of-date when I talk to sales staff		X	
LACK OF DIFFERENTIATION			
There is no difference b/w suppliers on cost	X	X	
There is no difference b/w suppliers on quality of service	X	X	
Switching gives short term gain, suppliers follow each other		X	
SATISFACTION			X

Figure 54 shows the key factors that drive participation in each market (these are identified by a cross in the table). Regarding participation, there are more similarities than differences between the three markets:

- the two key factors that encourage participation in all three markets are interest in technology and interest in securing a good price/deal;
- the other factor that is relevant, particularly for the fixed line market but also in the internet market, is bundling.

⁴⁷ Base: All Fixed line (500), Mobile (500) and Internet (502). 'X' indicates the factors which play a role in influencing participation in each market.

Figure 54: The drivers of participation in the fixed line, mobile phone and internet markets⁴⁸

DRIVERS OF PARTICIPATION	Landline	Mobile Phone	Internet
INTEREST IN TECHNOLOGY			
Like to buy cutting edge technology as soon as it's available	X	X	X
Keen to invest time to investigate all options so get best one	X	X	X
PRICE DRIVEN			
Low cost of service/available deals are important	X	X	X
Willing to consider unfamiliar brands if offer good deal	X		X
Overall value for money is important		X	
BUNDLING IMPORTANT			
Ability to get bundled packages is important	X		X
Availability of additional services is important	X		

On the basis of this review of decision-making in the telecoms market, it is possible to set out five broad conditions for a consumer's participation in a given market as follows:

- there is interest in getting the best rational option rather than settling for something that is 'good enough';
- the market provides sufficient differentiation along the relevant criteria;
- the consumer has a reasonably accurate perception of this differentiation and the relative position of the current supplier;
- the process of shopping is not too onerous; and
- the consumer has a reasonably accurate perception of the drawbacks of shopping.

⁴⁸ Base: All Fixed line (500), Mobile (500) and Internet (502). 'X' indicates the factors which play a role in influencing participation in each market.

Section 8

The Role of Consumer Information in the Decision-Making Process

The qualitative research indicates that consumer information is vital from the point of view of triggering participation in the first place and because it forms the basis of the shopping process itself, as follows:

- One of the only ways that consumers can keep their perceptions of a changing marketplace up-to-date is through participating. This can lead to a vicious circle of non-participation in the telecoms market as some consumers who believe there is little benefit in participating, or that the drawbacks of participating are high, will be unlikely to engage in the type of activity that might correct these perceptions. In other words, perceptions of low benefit and high cost are self-perpetuating. In this situation, these perceptions will only be altered if consumers are exposed to information without their having to seek it.
- Shopping is essentially an information-gathering activity – consumers seek information that enables them either to identify new service options for consideration, or assess options they have already identified.

This section looks at consumers' use of information alongside their switching behaviour in order to identify the role of consumer information in decision-making processes.

8.1 Sources of information

For each of the three markets there are two sets of analysis, one looking at the actual behaviour of consumers who had switched provider in the past twelve months and a second looking at the likely future behaviour of consumers who had not switched during this time period.

Taking the actual sources cited by those people who have switched in the last twelve months (Figure 55), websites of the fixed line suppliers were the highest claimed source of information (42%), followed by recommendations from friends / family and brochures / promotional literature (both of which were used by around a third of all switchers). Of all the information sources consulted, word-of-mouth recommendations were regarded as being the most trusted source (28%), and also the easiest to understand (22%). The most informative sources, however, were the supplier websites (24% of switchers agreed that this was the case).

Figure 55: Fixed line consumer information: switchers (past 12 months)⁴⁹

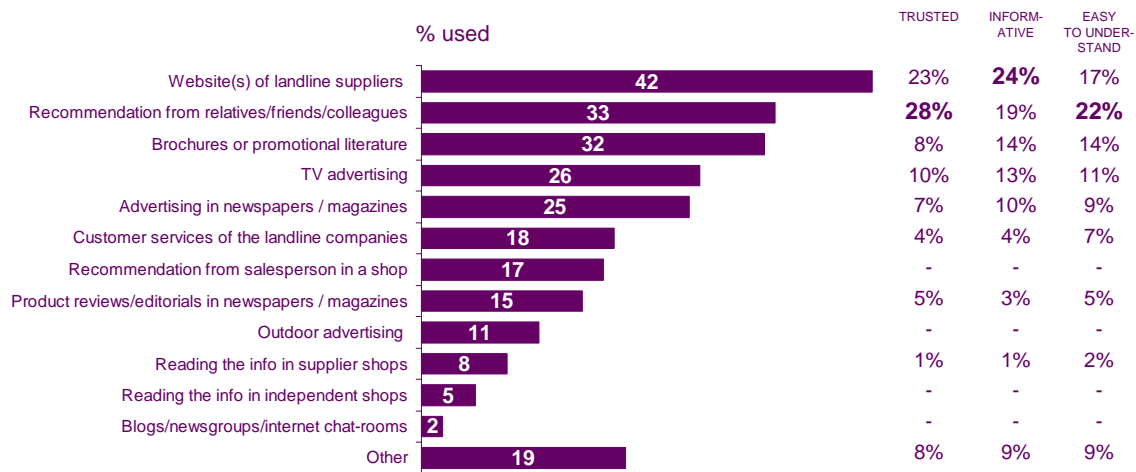
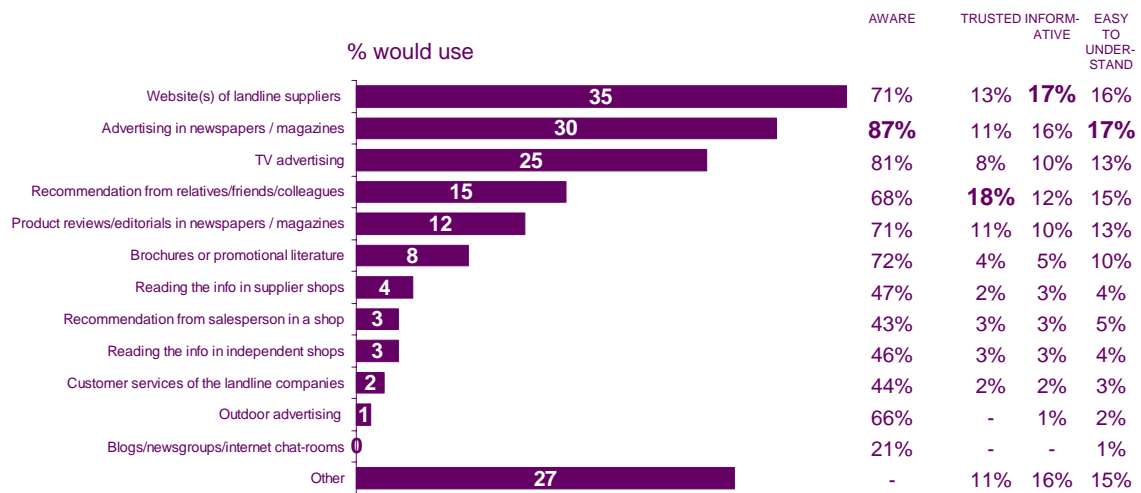


Figure 56 shows the information sources that consumers would anticipate using when considering alternative suppliers in future. The sources with the highest level of total awareness in this scenario were press advertising (87%) and TV advertising (81%). However, predicted usage showed that the most likely source to be used among non-switchers was supplier websites (35%) - which were again considered to be the most informative source - followed by newspaper and magazine advertising (30%). Recommendations from family and friends were less likely to an anticipated source of information although as with switchers, they were deemed the most trustworthy.

Figure 56: Fixed line consumer information: non-switchers (past 12 months)⁵⁰



Consumer information in the mobile phone market was slightly differently perceived by those who had switched versus those had not gone through the shopping process in the last twelve months. Figure 57 shows that among those who had switched in the past twelve months, the dominant source was word-of-mouth recommendation: being the most used (40%), the most trusted (34%), the most informative (28%) and also the easiest to

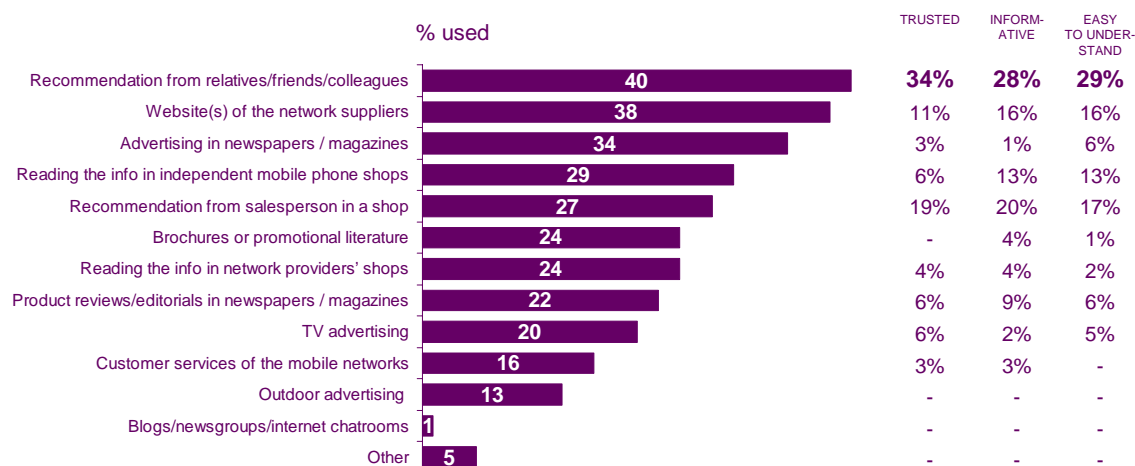
⁴⁹ Base: All switched past 12 months (99), Fixed line. Column figures in bold indicate highest rated factor on each question.

⁵⁰ Base: All not switched past 12 months (401), Fixed line. Figures in bold indicate highest rated factor on each question.

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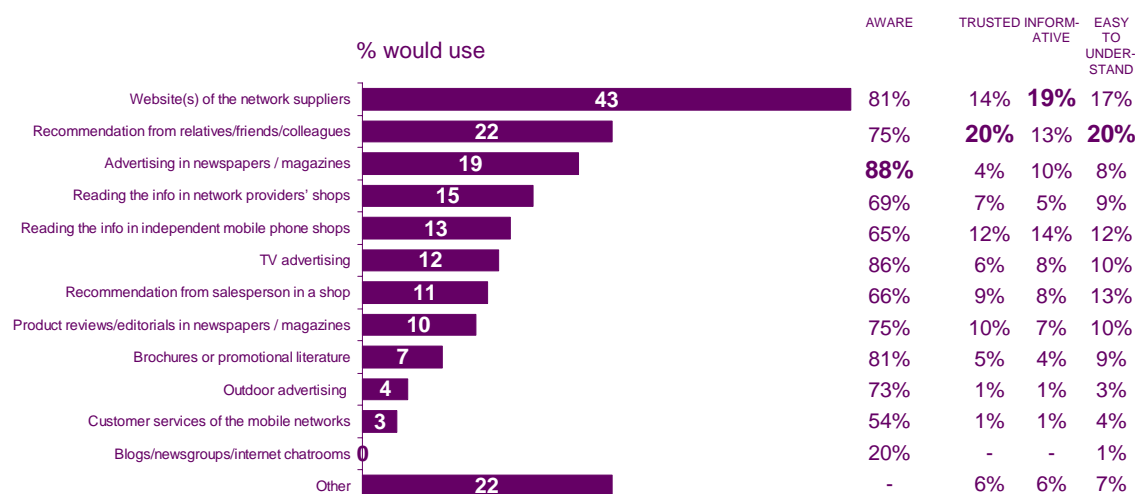
understand (29%). Whilst word-of-mouth plays an important role in other markets, it is nowhere else as widely relied on as in the mobile phone market.

Figure 57: Mobile consumer information: switchers (past 12 months)⁵¹



However Figure 58 shows that non-switchers do not anticipate recommendations from family and friends being such a critical source of information. While they are very aware of this as a source (75%) – along with newspaper / magazine advertising (88%) and supplier websites (81%) – this did not convert into informing switchers. Websites of the mobile phone network suppliers were anticipated to be the most used source (43%) – perhaps related to the fact that they were also perceived as being the most informative. Nonetheless, as with switchers, word-of-mouth recommendations were thought to be the most trusted and easiest to understand.

Figure 58: Mobile consumer information: non-switchers (past 12 months)⁵²

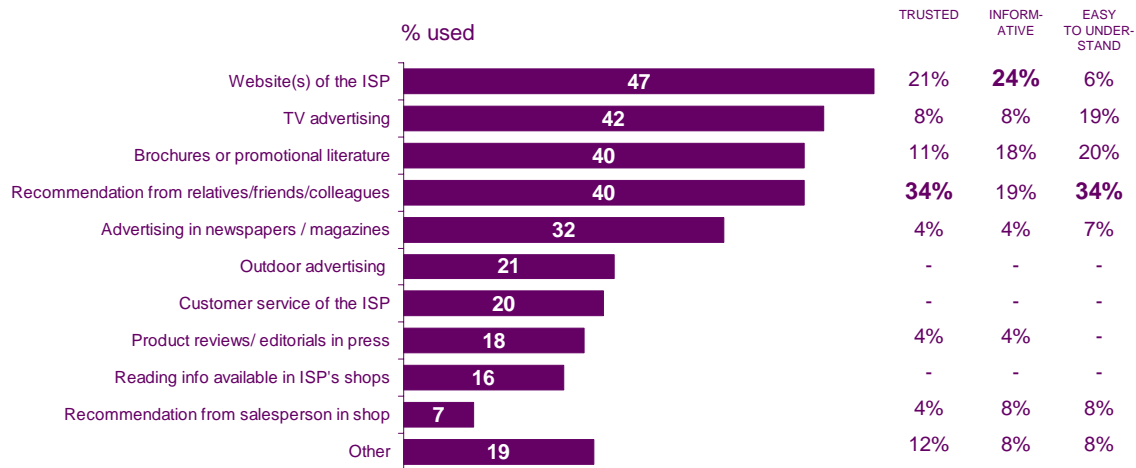


⁵¹ Base: All switched past 12 months (85), Mobile. Column figures in bold indicate highest rated factor on each question.

⁵² Base: All not switched past 12 months (415), Mobile. Column figures in bold indicate highest rated factor on each question.

A very similar pattern was evident for internet information sources although in this market, the base size of switchers was quite low (36 consumers), so these findings should be treated with caution. As shown in Figure 59, the most widely consulted source by those who had engaged in the shopping process was supplier websites (used by 47%), followed by TV advertising (42%), brochures (40%) and recommendations from friends / family (40%). Of all the sources used, the most trusted was again deemed to be recommendations from friends and family (by 34%), with a similar proportion regarding this source as the most easy to understand (34%). However, the supplier websites were again perceived as being the most informative.

Figure 59: Internet consumer information: switchers (past 12 months)⁵³



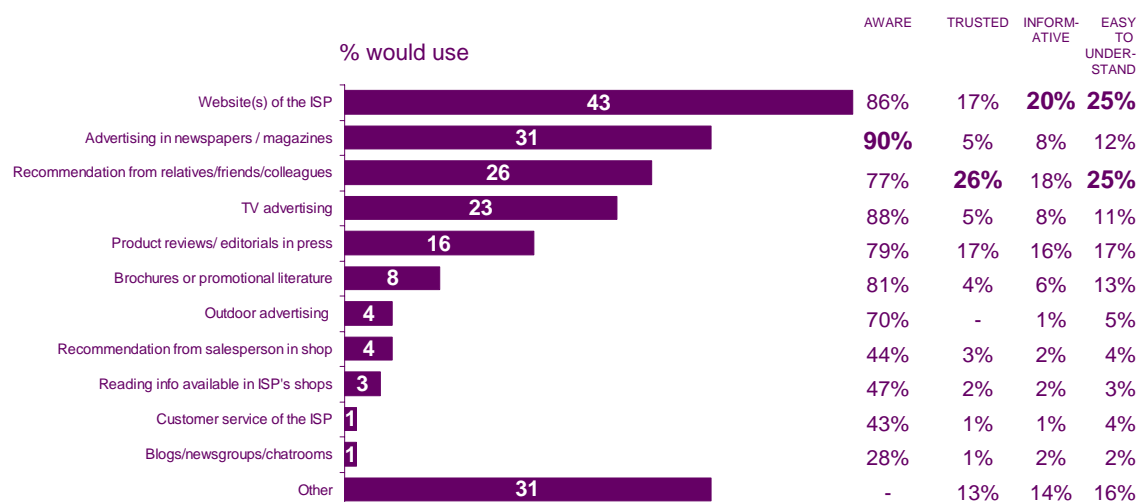
Looking at future consideration of information sources among internet consumers who had not switched in the last year, a similar picture emerged. Figure 60 shows that the majority were aware of several sources, with intended use highest for ISP websites (43%) - corresponding to this being regarded as the most informative source as well as being easy to understand - followed by newspaper / magazine advertising (31%). Friends and family recommendations were thought to be the most trusted and most easy to understand information source (by 26% and 25% of the sample respectively).

Figure 60: Internet consumer information: non-switchers (past 12 months)⁵⁴

⁵³ Base: All switched past 12 months (36), Internet. Column figures in bold indicate highest rated factor on each question.

⁵⁴ Base: All not switched past 12 months (466), Internet. Column figures in bold indicate highest rated factor on each question.

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8.2 The constituent elements of word-of-mouth

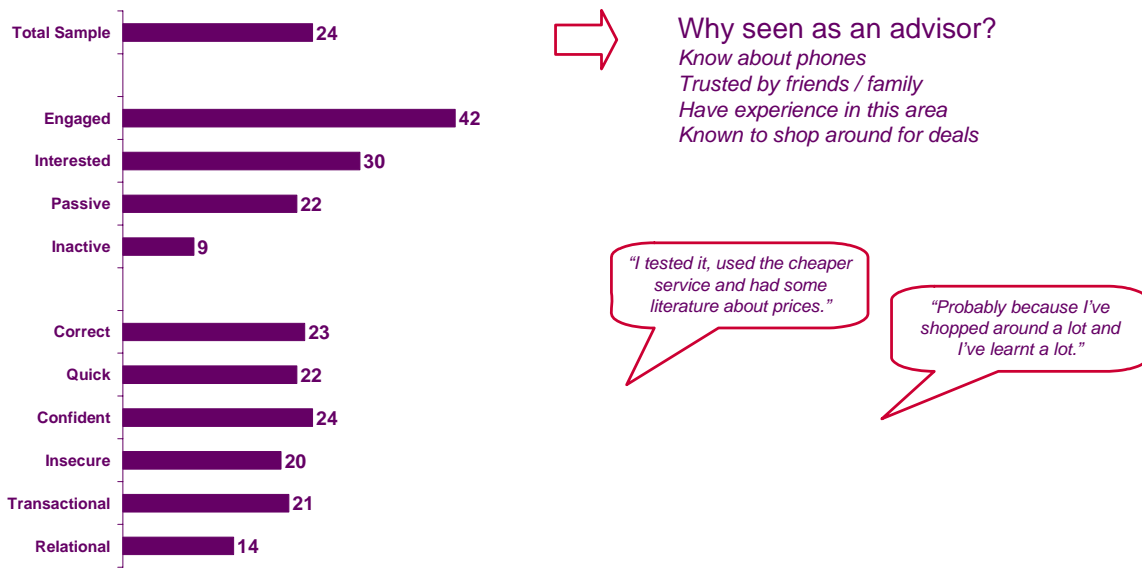
As evident in the previous section, one of the most important influences on participation was testimony from other people within a social network. The qualitative research reveals that personal sources of information not only have the potential to overcome false perceptions that deter shopping (particularly as they can be offered rather than sought), they also play a critical role during the shopping process itself. Opinions of friends, family and colleagues are important in identifying options for consideration, in testing these options, in justifying a preferred option or even as a way to short-cut the decision by seeking a recommendation.

This research also shows that much of what underlies the significance of word-of-mouth has to do with trust – friends and family act as a proxy guarantor for the trustworthiness of a supplier precisely because they are a trusted source themselves. While information provided by suppliers is often thought to be informative, it is less likely to be trusted.

In this survey, additional questions were asked in order to understand in more about which segments of the market were most likely to be the originators of these word-of-mouth recommendations. The findings from these questions are covered in the following section.

Figure 61 shows that in the fixed line market overall, one in four respondents (24%) agreed that they had offered advice to other people who were considering switching their fixed line supplier. However, this varies considerably by the four participation segments, rising to 42% among engaged consumers and falling to 9% among inactive consumers. This reflects the different degrees of interest that these segments display in the market. Those identifying themselves as “advisors” felt they were regarded as a trusted source of information, either because they were a friend or family member, because they were knowledgeable/informed about the market, or were known as someone who sought out the best deals.

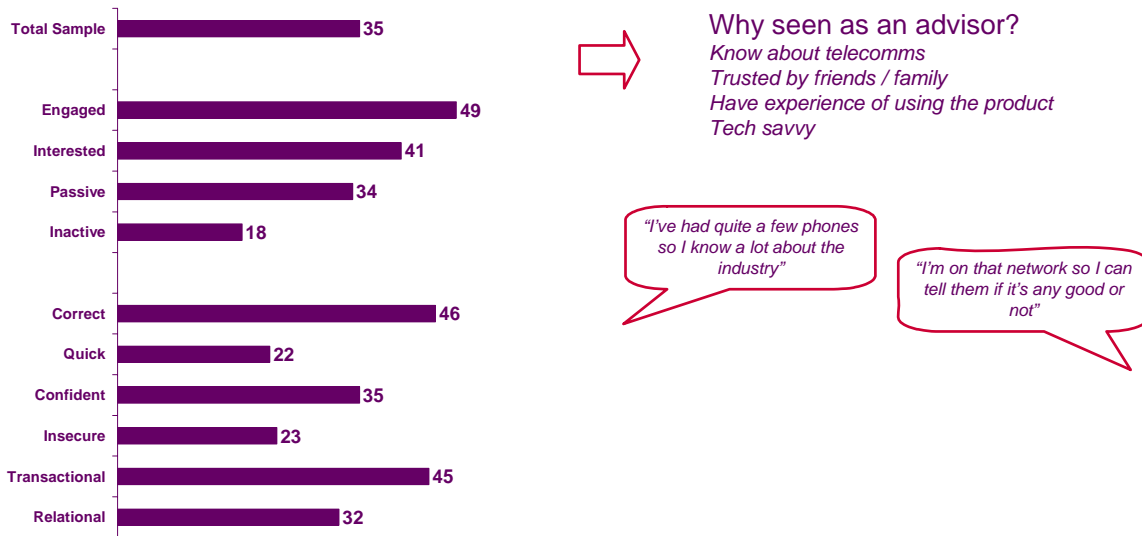
Figure 61: Fixed line market ‘advisors’ and why they are trusted⁵⁵



One in three consumers (33%) agreed that they played an advisory role in the mobile phone market (see Figure 62) – these figures were again elevated among the more participatory segments, rising to 50% of engaged consumers. Once again, trust was either derived from being a friend or family member, or was the result of them being ‘tech savvy’ (i.e. trust was based on their knowledge of the telecoms market and/or their experience of using mobile phones).

⁵⁵ Base: All, Fixed line (500). ‘Other’ responses analysed qualitatively due to small base sizes.

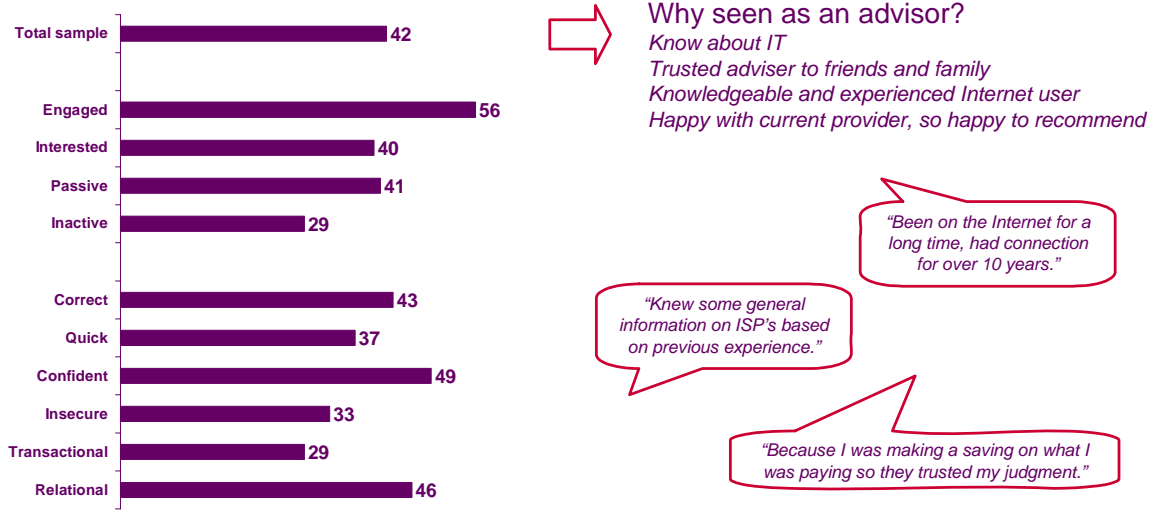
Figure 62: Mobile phone market ‘advisors’ and why they are trusted⁵⁶



The proportion of self-reported advisors in the internet market was higher than in other markets, with 42% stating that they had advised other people about what choices to make when they were considering switching ISP (see Figure 63). Again, levels were higher amongst the more participatory segments in the sample, rising to 56% among Engaged consumers. The main reason they were perceived as being a trusted source of information was the fact that they knew a lot about IT, were a knowledgeable and experienced internet user, or were able to offer a positive review of their own current supplier.

⁵⁶ Base: All, Mobile (500). ‘Other’ responses analysed qualitatively due to small base sizes.

Figure 63: Internet market ‘advisors’ and why they are trusted⁵⁷



⁵⁷ Base: All, Internet (502). 'Other' responses analysed qualitatively due to small base sizes.

Section 9

Opportunities to Support Future Decision-Making

In each of the three markets tested, a series of initiatives and ideas were put forward as potential ways in which Ofcom could possibly play a role in the market – these were termed ‘Intervention Scenarios’. The scenarios had two streams:

- impact on predicted likelihood to switch;
- impact on people’s likelihood to start shopping around.

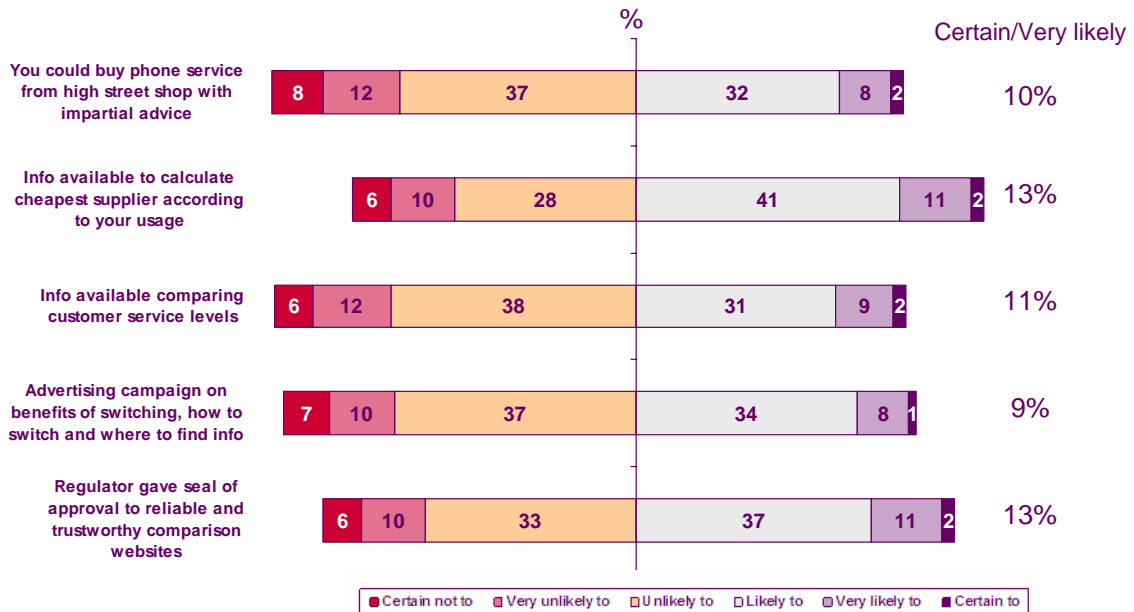
When looking at these responses the focus is on those ‘certain to’ or ‘very likely to’ either switch or shop as a result of each scenario. It should be noted that the impact of the intervention scenarios tested is at a fairly low level overall.

Figures 64 and 65 consider the impact of these scenarios in the fixed line market. Here, the one with the greatest impact on people’s propensity to *switch* was an alternative provider enabling switching with no loss of service (12% stated that they would be certain or very likely to switch on this basis), closely followed by a provider offering annual reviews on the basis of usage patterns (11%). Propensity to *shop around* was most likely to be positively impacted by the availability of information to help calculate the cheapest supplier or a regulator-approved comparison website (13% stated that they would be certain or very likely to shop around in both scenarios).

Figure 64: Fixed line market intervention scenarios, likelihood to switch⁵⁸



Figure 65: Fixed line market intervention scenarios: likelihood to consider shopping around⁵⁹



In the mobile phone market, Figures 66 and 67 show that likelihood of switching was also most likely to be influenced by an alternative provider offering annual reviews of usage, or enabling switching with no loss of service (11% responded favourably to each scenario). In this market there was greater interest in things that would facilitate the *shopping* process than the switching process: the factor that was most likely to impact propensity to shop around was information to calculate the cheapest supplier, followed by a regulator-approved comparison website (19% and 15% responding favourably to each scenario respectively).

⁵⁸ Base: All, Fixed line (500)

⁵⁹ Base: All, Fixed line (500)

Figure 66: Mobile phone market intervention scenarios: likelihood to switch⁶⁰

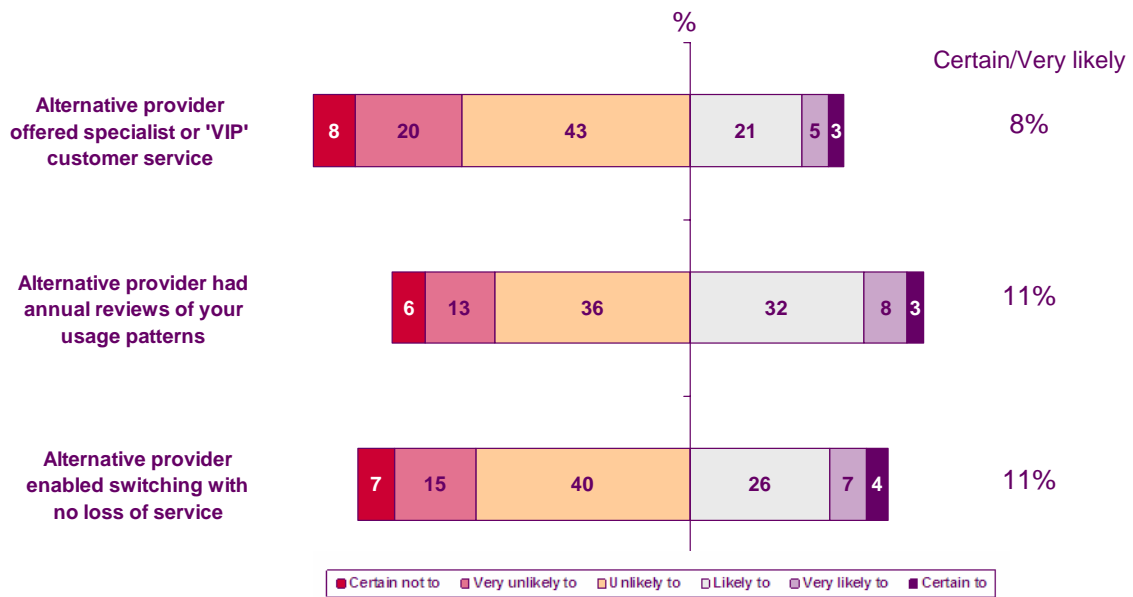


Figure 67: Mobile phone market intervention scenarios: likelihood to shop around⁶¹



Figures 68 and 69 show that a similar picture emerges in the internet market, although interest is generally higher in this market than elsewhere. The greatest influence on switching was, again, the possibility of switching with no loss of service (19% responding). The two greatest influences on shopping around were, again, the availability of information to calculate the cheapest supplier and regulator-approved comparison websites (21% and 19% respectively). In addition, there was interest in comparative customer service (18%).

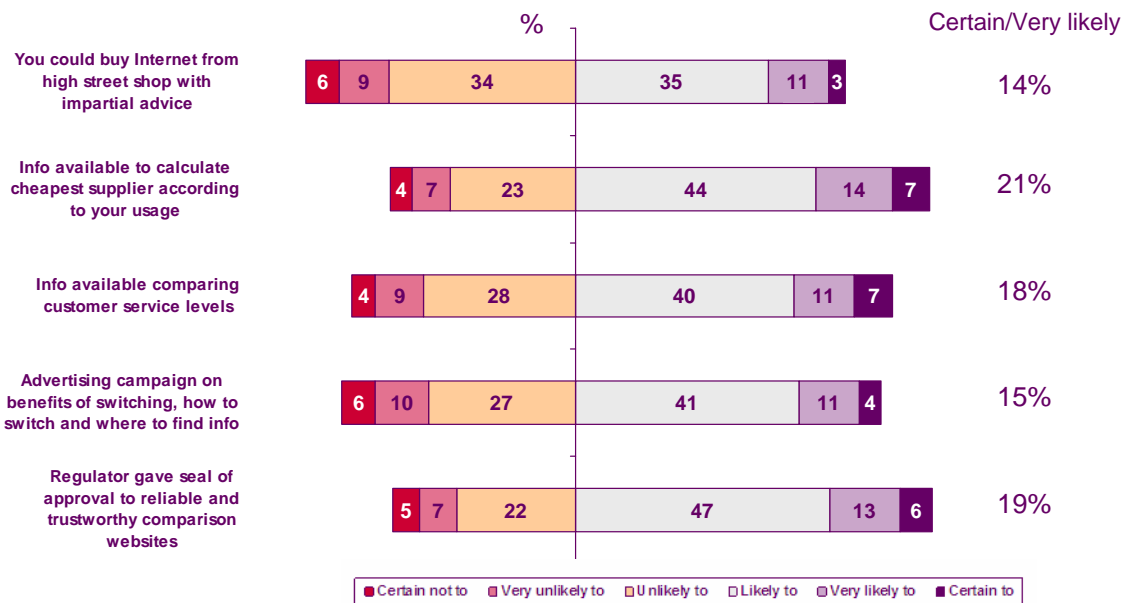
⁶⁰ Base: All, Mobile (500)

⁶¹ Base: All, Mobile (500)

Figure 68: Internet market intervention scenarios: likelihood to switch⁶²



Figure 69: Internet market intervention scenarios: likelihood to consider shopping around⁶³



In all three markets, the factors that seem to have the greatest impact on participation are a) the possibility of switching with no loss of service, b) information being available to calculate the cheapest supplier based on usage and c) regulator-approved comparison websites.

⁶² Base: All, Internet (502)

⁶³ Base: All, Internet (502)

Section 10

Key Findings

a) Understanding the nature and extent of “participation” in the telecoms market

A key factor to consider when defining participation is that shopping does not always lead to the discovery of a new or better service if these expectations are not proven in reality.

The other important conclusion from the research is that choosing a new service does not necessarily mean switching provider.

While actual switching behaviour is an important measure of participation in the telecoms market, the decision to engage in co-ordinated information gathering that will support the decision to switch or to stay is equally as important as the outcome itself.

In order to develop a holistic understanding of participation in the telecoms market, it is therefore necessary to consider a range of different types of decision-making, based not only in the past but also in the present and in the future.

By taking all the various aspects of consumer behaviour into account across different snapshots in time, four ‘participation’ segments emerge which are common across all three telecoms markets.

- Inactive consumers – have had *no past involvement* at all other than possibly thinking about getting involved (though this does not translate into shopping) and have *low interest in the market*. They do not keep up-to-date with the market or have plans to make any changes to their service in the future.
- Passive consumers – *may have had some past involvement* in terms of either shopping, switching or changing some element of their package, they also either indicated *some current interest* in the market, and/or were *not averse to changing* an aspect of their service in the future.
- Interested consumers – while *broadly similar to passive* consumers in terms of their past behaviour and future intentions, as their name suggests they are *more likely to keep an eye on the market*, looking out for better deals. It would be reasonable to suggest that their increased interest in the market means that this group are more likely than passive consumers to act on their future intentions.
- Engaged consumers – *the most active group* in terms of past behaviour, interest in the market and future switching intentions.

Looking at the extent of consumer participation across the three telecoms markets on this basis, the research shows that while some consumers have not even considered changing their supplier in the past four years, they are ‘participating’ in other ways:

- in the fixed line market, while 52% have not switched supplier in the past four years, only 28% are inactive (based on the broader definition of participation);
- in the mobile phone market, while 51% have not switched network supplier in the past four years, only 31% are inactive (based on the broader definition of participation);

- in the internet market, while 46% have not switched ISP in the past four years, only 23% are inactive (based on the broader definition of participation).

From this it is also clear the internet market demonstrates the greatest degree of activity: 24% of internet consumers fall within the engaged segment compared to 20% in the mobile phone market and 18% in the fixed line market. The next question that emerges is 'what drives the decision to participate or not?'

b) Understanding the factors that drive decision-making behaviour

The research shows that the decision to participate is a trade-off between the expected potential benefit of the shopping outcome and the expected procedural and/or psychological drawbacks associated with the process.

The key factors driving non-participation are quite different in each market:

- in the fixed line market, inertia (reluctance to leave a trusted supplier for one that is unknown, fear of something going wrong in the transition, or reluctance to lose a particular deal or package) and lack of perceived differentiation in the market are the key obstacles to participation;
- in the mobile phone market both inertia and lack of perceived differentiation play a part but consumers are also discouraged by the perceived effort involved in the shopping process (the hassle involved is a major deterrent, specifically in terms of the time required to research all options, the difficulty comparing suppliers and not knowing where to find trusted information. There also appear to be confidence issues - concerns about not knowing enough, being out-of-date and not knowing how to make the right choice);
- in the internet market the hassle of the shopping process itself is also a key barrier (specifically in terms of the amount of time needed to consider all the options, not knowing how to compare between options and not knowing where to find trusted information) but the main factor is that consumers are basically satisfied with their existing ISP.

The key factors that drive participation in each market show more similarities:

- two key factors encourage participation across all three markets and these are: interest in technology (consumers like to buy cutting-edge technology and are keen to invest time investigating all options) and interest in securing a good price/deal (*value* is an aspect of this in the mobile phone market);
- the other factor that is relevant, particularly for the fixed line market but also in the internet market, is bundling.

c) Summarising the opportunities and challenges to facilitating participation

In summary, the evidence suggests that in the face of complexity and lack of market differentiation (perceived or actual), inactive consumers are adopting fallback, risk-averse strategies and will stay with what they know and trust, even though it might not be the 'best' option.

The key opportunities for furthering participation in the telecoms market revolve around influencing these key drivers since these are the most 'sensitive' factors in the market, as identified in the research. Specifically, efforts in terms of making the decision-making process easier to go through (e.g. facilitating quick and easy comparison of all

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suppliers/options), allaying fears regarding the potential risks associated with switching services (e.g. ensuring switching with no loss of service), or convincing consumers of the tangible benefits of any new service over and above their existing set-up.

Annex 1

Research methodology

Initial qualitative interviews

- A1.1 The first stage of research consisted of a series of 87 interviews with consumers covering a wide range of profiles from across the four nations of the UK, who were engaged through a range of in-depth qualitative methods.
- A1.2 The main purpose of this initial qualitative research was to explore the way in which consumers were participating in the telecoms market and to develop hypotheses for what influences decision-making behaviour in terms of selecting and/or switching suppliers. The qualitative findings were therefore a key input into the development of the quantitative questionnaire.

Main quantitative interviews

- A1.3 A total of 500 CATI (computer-aided telephone interviews) interviews were conducted with decision-makers in each of the three telecoms markets identified (fixed line, mobile phone and internet services), across the four nations of the UK. Respondents were primarily responsible for their household's telecoms/internet services and decided which supplier was used, or they owned and used a mobile phone and were responsible for deciding which network supplier they used. The interview length was 35 minutes. Fieldwork was conducted by TNS, on behalf of Jigsaw Research Ltd. The interview was identified at the start as being conducted for Ofcom.
- A1.4 The main purpose of the quantitative research was to identify the precise levels of participation in each telecoms market and to determine, through statistical analysis, what drives decision-making behaviour, i.e. the key factors that are most likely to determine decisions to shop and/or switch (or not).

Annex 2

Technical appendix: quantitative research

Sample design

A2.1 The quantitative sample was structured to ensure representative coverage of consumers in each of the three telecoms markets: fixed line, mobile phone and internet. Quotas were applied in order to ensure that broadly representative samples were achieved prior to weighting. The quotas were constructed in order to allow traditional sub-group analysis across all key demographic and user-profile variables. The achieved sample is indicated in Figure 70 below.

Weighting

A2.2 All data was weighted to the profile of UK consumers in each market using target rim weights for age, socio-economic group and supplier. In the mobile phone market, weights were also applied on payment method (post-pay, pre-pay and upfront all-in-one) in order to correct a slight under-representation of pre-pay consumers in the achieved sample. The weighting figures were identified based on the latest available data from the Ofcom consumer tracking research (Q4, 2005). The weighting targets are also detailed in Figure 70 below.

Figure 70: Weighting profile

	Fixed line		Mobile Phone		Internet	
	Achieved sample (500)	Weighting target %	Achieved sample (500)	Weighting target %	Achieved sample (502)	Weighting target %
AGE						
16-24	3%	5%	13%	18%	3%	8%
25-44	35%	37%	43%	41%	48%	48%
45-64	39%	35%	32%	29%	37%	34%
65+	23%	23%	12%	11%	11%	10%
SOCIO-ECONOMIC GROUP						
AB	22%	25%	18%	25%	27%	33%
C1	32%	31%	32%	30%	34%	32%
C2	21%	19%	21%	19%	21%	18%
DE	24%	24%	28%	25%	18%	16%
SUPPLIER						
BT	49%	62%				
NTL/Telewest	19%	19%				
Talk Talk	11%	5%				
Other	21%	14%				
02			25%	N/a		
Orange			20%			
T-Mobile			18%			
Vodafone			18%			
Other			19%			
BT					16%	21%
AOL					16%	17%
NTL/Telewest					29%	23%
Wanadoo					12%	11%
Tiscali					6%	8%
Other					21%	21%
PAYMENT METHOD						
Post-pay			43%	65%		
Pre-pay			57%	34%		
Upfront/all-in-one			1%	1%		
CONNECTION TYPE						
Broadband					86%	71%
Narrowband					14%	29%
GENDER						
Male	51%	N/a	49%	N/a	54%	N/A
Female	49%		51%		46%	
CABLED/NON-CABLED						
Cabled	52%	N/a	53%	N/a	56%	N/a
Non-cabled	48%		47%		44%	

Participation Index

A2.3 Based on individual responses to the following pre-coded questions regarding past, current and future behaviour, each respondent was allocated a score (from 0 of 100) to reflect their overall participation in the respective market. This score is referred to as the Participation Index.

Measures of past decision-making behaviour

- Whether changed supplier in the last four years
- If not changed, whether considered changing supplier in the last four years
- If considered changing supplier in the last four years, whether actively starting looking for an alternative
- Whether changed tariff or deal with current supplier (including upgrades to connection speed for internet market)
- Whether asked current supplier to match a better deal from another supplier

Measures of current decision-making behaviour

- Whether make conscious effort to keep up-to-date with what other suppliers are offering
- Whether always on the look-out for a better deal

Measures of future decision-making behaviour (next twelve months)

- Likelihood to switch to a different supplier
- Likelihood to start looking for an alternative supplier
- Likelihood to look at deals from other suppliers to see what else is out there
- Likelihood of changing to another package/tariff with current supplier (including changing connection type or connection speed for internet market)
- Likelihood of re-negotiating existing package with current supplier

The score for each respondent was allocated based on the following principles:

- that the final outcome is less important than the effort made;
- that any activity in the past carries equal weight – actually switching to a new supplier carries the same weight as shopping for a new supplier, which carries the same weight as making a change to an existing package;
- that past activity (as defined above) has an equal weight to current behaviour (keeping up-to-date/keeping a look out for better deals);
- that past and current activity have a greater weight than future intention (since not everyone will do what they say they will); and
- that 'don't know's' to any question are indicative of inaction.