Flash Eurobarometer

European Commission

Consumers' views on switching service providers

Summary

Fieldwork: June – July 2008

Report: January 2009

This survey was requested by DG SANCO - Directorate B- Consumer affairs and coordinated by Directorate General Communication

Flash Eurobarometer 243 – *The Gallup Organization*

Flash EB Series #243

Consumers' views on switching service providers

Survey conducted by The Gallup Organization, Hungary upon the request of the European Commission, Directorate-General "Health and Consumer Protection"

EUROBAROMETER

Coordinated by Directorate-General Communication

This document does not represent the point of view of the European Commission. The interpretations and opinions contained in it are solely those of the authors.

THE GALLUP ORGANIZATION

Introduction

This Flash Eurobarometer survey on "*Consumers' views on switching services, including services of general interest (SGI)*" aimed to collect policy relevant information about consumers' experience of switching providers and their ability to compare offers from various suppliers in several service sectors, including SGI. Topics of the survey included:

- Usage of services
- Comparability of offers
- Experience in switching
- Reasons why consumers do not switch
- Reactions to potential facilitators that could increase mobility in the SGI and other markets
- Perceptions of recent price developments

The surveyed services were:

- Current bank accounts
- Savings and investment products
- Mortgage loans
- Long-term loan arrangements
- Car insurance (for third party liability)
- Home insurance
- Internet services (broadband)
- Fixed telephone services
- Mobile phone services
- Electricity supply services
- Gas supply services (mains and bottled)

This summary includes the average results for the EU. Further details regarding the variances in responses based on the interviewees' country of residence and socio-demographic background is provided in the full Analytical Report of this survey.

Main findings

- A significant proportion of the respondent of this Eurobarometer survey find it hard to compare offers. On average, for all the surveyed sectors, 30% of consumers state that they had at least some difficulties comparing offers from different service providers. A higher than average proportion of respondents reported difficulties when comparing offers from the retail financial services that were included in this report (e.g. 40% of consumers had difficulties comparing offers from savings or investment providers and 39% of consumers had similar issues with mortgage offers).

- The proportion of consumers that switched their service provider in the last two years varies according to sector. The highest rates are seen for car insurance (25%), broadband Internet (22%), mobile telephone (19%) and fixed telephone (18%). The lowest rates are seen in the energy sector, where monopolies are common, and for financial services such as current bank account (9%) and long term loans (10%).

- Considering those who intended to switch, the highest percentages of consumers that reported difficulties with switching were seen for Internet (7%), fixed telephone (4%), mobile telephone (3%) and mortgage credit (3%). There were also consumers that did not try to switch because they though it might be too difficult. The highest rates in the latter category appear (besides energy due to monopoly issues) for the following sectors: long term credit (4%), current bank account (4%), mortgage credit (4%), savings and investments (3%).

- The majority of consumers that switched reported that their decision to change providers was beneficial from a financial point of view. On average, for all the services included in this study, 69% of those who switched found a cheaper provider. The services where this proportion is even higher are car and home insurance, fixed telephone services, long term credit and mortgage credit. The survey only focused on the financial outcome of the switching decision without inquiring about the other benefits that consumers have obtained from their switching decision.

- It is noteworthy that while 69% of those who switched found a cheaper provider (on average for all surveyed services), many consumers are not interested in switching. The proportion of consumers that reported a lack of interest in switching ranged between 70% and 80%, depending on the service type.

- The most common reason given by consumers that did not switch providers was that "the current provider offers the best value for money" (average of 39% of respondents for all services). Other answers blamed the lack of an alternative provider (6%) and the small savings they estimated they would obtain (6%). The lack of an alternative service provider was given as a reason mainly for energy services. The services where consumers considered that the savings that can be obtained from switching were too small were current account and savings or investments. These (along with energy) are also the services with the lowest percentage of consumers that considered their current provider to be offering the best value for money. Contractual stipulations that make it difficult to switch was selected by a higher percentage of consumers of mortgages, long term loan and internet. While very few consumers answered that they did not know it is possible to switch, the percentage was higher for long term loan. Financial services had the highest percentage of consumers saying that the cost and effort required in switching is too large, relative to the benefits.

- The survey presented several tools that could facilitate the process of switching. Of all the options that were presented, consumers favoured the following the most: "a switching process that costs nothing" (32% of respondents), "standardized comparable offers from providers" (29%) and "a website that tell you which provider is the cheapest" (29%). The services where the highest number of consumers showed their interest for tools that could facilitate switching were: internet, long-term loan and mortgages.

– Consumers were also interviewed about their perception on price changes in the last 12 months. The highest percentage of consumers that reported increased prices were for gas (64%) and electricity services (59%) while the lowest percentage of consumers that reported increased prices were for Internet (9%) and mobile telephone services (12%). The services were most consumers reported decreases in prices were car insurance (22%), internet (18%) and mobile telephone services (17%). The net difference between the percentage of consumers that reported price increases and those that reported price decreases offers a summary of the perceived market evolution. For this criterion energy and financial services had the biggest percentage points difference. The countries with the highest net difference were Cyprus (34 percentage points was the difference between consumers that reported price increases and those that reported price decreases), Spain (33pp), Romania (31pp) and Latvia (30pp). The smallest net difference was seen in Germany (3pp), Denmark (3pp) and UK (9pp).

– At EU level, in service sectors with higher mobility (e.g. more consumers change providers) consumers are less likely to report price increases, and the overall balance of positive and negative reports are generally more favourable compared to service sectors where provider switching is rather an exception.

– The price evolutions included in this survey are based on the reports provided by consumers and may differ from the actual market situation.

– The Eurobarometer survey data is also analysed from the perspective of vulnerable consumers. These are defined in this context as having at least four of the following characteristics: older than 65 years, living in rural areas, having a low level of education (having left school before the age of 16), not working (but not in education) and having no access to internet. The survey shows that, compared to other consumers, the vulnerable ones are less likely to use the services included in the survey. This is especially true for mobile phones – only 48% of vulnerable consumers use them versus 86% for the rest of the population. Large differences are also common for financial services.

– Comparing offers is more difficult for vulnerable consumers who also switch their service providers less. Also, the tools that could facilitate switching presented less interest for vulnerable consumers.

Overview

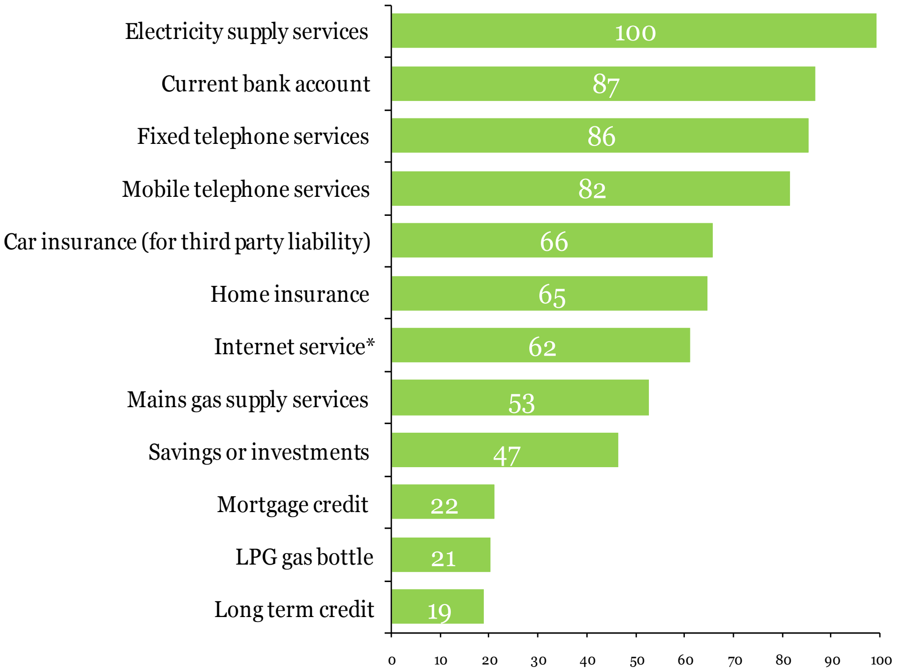
This Flash Eurobarometer (FL243 - Consumers' views on switching service providers) was carried out in order to investigate the experience consumers have with switching providers in four **specific** service areas: *retail banking, insurance, energy and telecommunications.*

The survey initially identified the users of 11 service areas, e.g. mobile phone network contracts, home insurance policies, mortgages, gas and electricity supplies, etc. within those four major categories. It then inquired about consumers' experiences switching providers, assessed the difficulties that they encountered in making such a move and the potential mechanisms for facilitating the process. This first section provides an overview: looking at the opinions of the total EU consumer base for each type of service. In subsequent sections, the report provides an analysis of the individual services by Member State and the consumers' socio-demographic background.

Usage of services

The first part of the interviewing process was a short screening section where the consumer base for each service type was identified in order to determine the basis for the subsequent questions that were presented to the users of the various services. Note: the results have to be treated as technical variables that facilitated how the later sections of survey were conducted: they were not designed to actually measure the extent to which each of these services are used in each Member State, several of these services were in interaction with the survey mode (e.g. telephone services, electricity).

Penetration of services



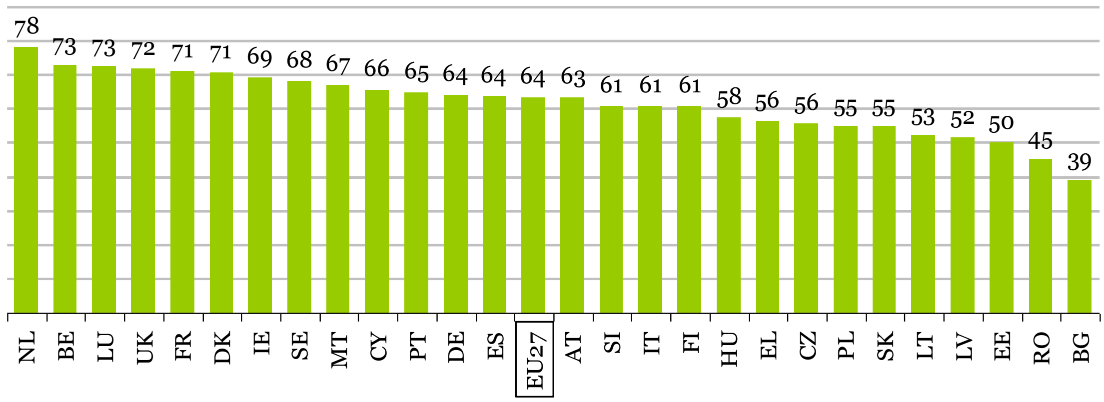
Q1.Could you tell me which of the following services or providers do you use?
*** D5. Do you have internet connection available at home ...** 1 – through a dial up or 2 – through a broadband connection or 3 – you have no connection at home? (% any Internet shown)
Base: all respondents, %, EU27

The most widespread of the investigated services, and probably of any similar services in the EU, was the electricity supply. The interviewing method (in most Member States the Eurobarometer was conducted on "electricity-dependent" fixed-line telephones) already implied a 100% confirmation rate. The other mode-dependent answer patterns were for fixed-line and mobile telephones; the patterns observed were not independent from the survey methodology applied, and they were not uniform in each Member State.

Ignoring these mode-dependent services, the ownership of a current bank account is the service with the highest penetration rate: 87% of EU citizens have such an account. Two-thirds (66%) have car insurance and a similar number (65%) said they have home insurance. Slightly fewer (62%) respondents reported using an Internet service (either dial-up or broadband), and 53% have a mains (fixed-line) gas supply. Overall, 70% of respondents use energy either from bottled gas – LPG (liquid petroleum gas), used by 21% of respondents – or mains / fixed line gas (these two groups are combined in the further analysis that refers to "gas supply" service users). Finally, the two retail banking products are used by about a fifth of our sample: mortgages are held by 22% and long-term credit loans (e.g. lasting more than 12 months) have been taken out by 19% of respondents.

Amongst the EU Member States the *average* national penetration rate for all of the above services is the highest in the Netherlands, followed by Belgium, Luxembourg, the United Kingdom, France and Denmark where on average three quarters of the population use the surveyed services. The lowest consumer rate was reported in Bulgaria and Romania where on average less than half of the population use these services.

Using services or providers, aggregate average for all services

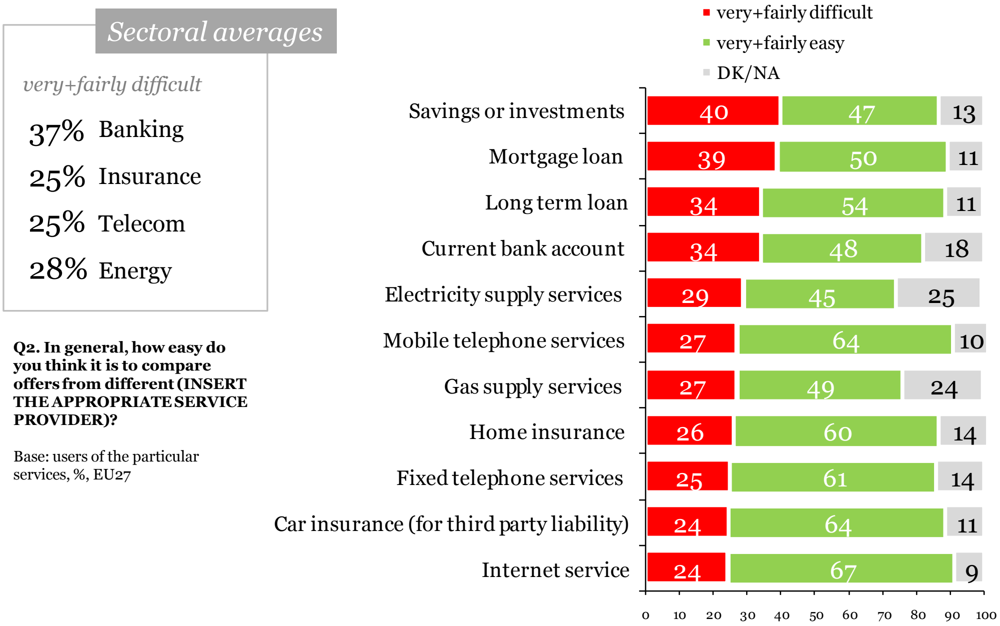


Q1. Could you tell me which of the following services or providers do you use?
%
Base: total

Comparability of offers

Service providers are sometimes criticised because their offers are difficult to understand. This can result in difficulties in reviewing and evaluating competing offers. In the survey, such concerns were voiced by an important part of European consumers. Difficulties with comparing offers were most widely reported in the retail **banking services** sector. On average, over a third (37%) of those respondents indicated that they had a problem comparing the offers from the various providers; for savings/investment products and mortgages in particular, about four out of 10 citizens indicated that the offers were difficult to compare. The offers from **telecom** providers and the offers for car and home **insurance** were the easiest to evaluate: on average, just a quarter of respondents reported difficulties and the five individual services from those two sectors were in the top five positions when it came to ranking the degree to which the offers were understandable.

Comparability of offers



Q2. In general, how easy do you think it is to compare offers from different (INSERT THE APPROPRIATE SERVICE PROVIDER)?

Base: users of the particular services, %, EU27

This "ease of understanding" ranking was topped by the offers from Internet[1] service providers. They were considered to be the easiest type of offer to compare (regarded as such by two-thirds – 67% – of EU consumers), followed by offers concerning third-party liability car insurance and mobile phone services (both 64%).

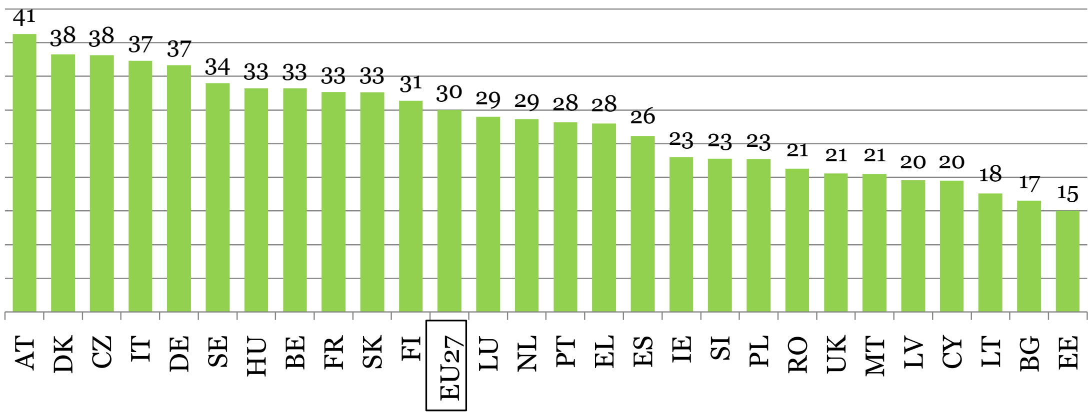
The issue of **energy** providers introduces a further element into the analysis. Between one-fifth and a quarter of citizens did not - or could not - provide an opinion on the question concerning the comparability of offers. Of course, for all other services we have a segment of respondents (usually about 10%) that were not sure how comparable the offers of various providers or products were. This may have been because some of the services that people use are relatively old and they do not have sufficient knowledge about the current situation, or how easy they were to compare. It may also be that

[1] From this point onwards in the report, "Internet users" are assumed to be those who subscribe to a broadband Internet service (i.e. dial-up customers have been excluded).

the consumers have never attempted to compare offers from several suppliers. In the energy sector, a large proportion of citizens also thought that no alternative providers existed (see later in this section); the question about the comparability of offers was therefore not relevant.

Overall, 28% of Europeans thought that the offers from energy providers were difficult to compare; the difference between gas (27%) and electricity (29%) was minimal.

Difficult to compare offers, aggregate average for all services



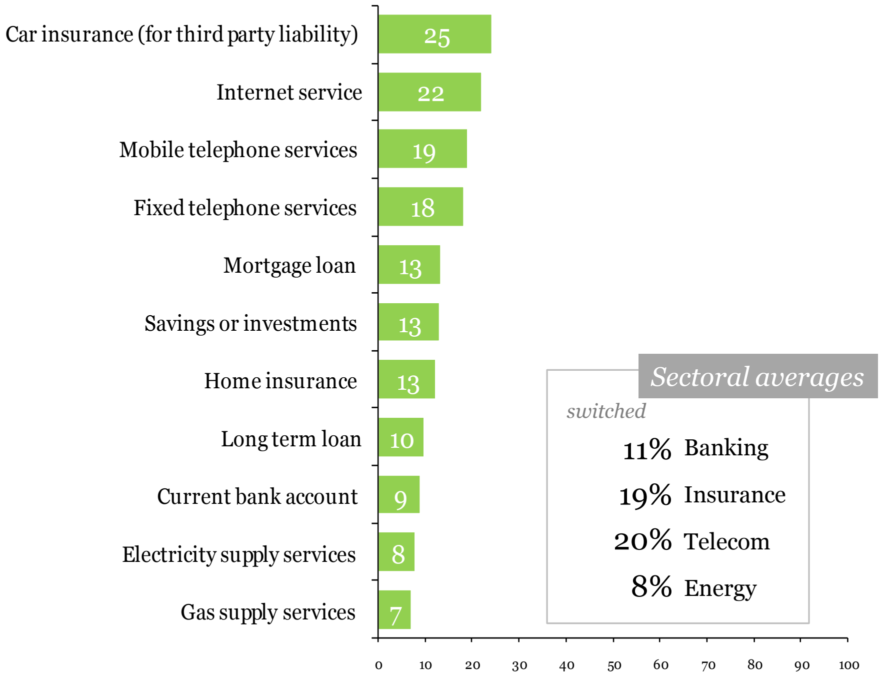
Q2. In general, how easy do you think it is to compare offers from different (INSERT THE APPROPRIATE SERVICE PROVIDER)?
% Very difficult + % Fairly difficult shown
Base: users of the particular services

Looking at the replies combined for all service areas, Austrian consumers are most likely to indicate that the offers of the providers are (very or fairly) difficult to compare; the average for all services is 41%. The average was similarly high in Denmark, Czech Republic (both 38%), Italy and Germany (both 37%), too. Estonian consumers are least likely to confirm that offers are difficult to compare, however the relative low proportion does not mean that many of them do find these easy to compare.

Consumers switching providers

Third-party liability *car insurance* was the service where most consumers switched providers, i.e. where there was the greatest amount of churn[2]: a quarter of all policy holders changed providers during the past two years in the EU. Next in the list were the telecom services: Internet (22%), mobile phone (19%) and fixed-line telephone services (18%). This made the telecom sector the most prone to provider switching, with an average churn rate of 20%.

Switched service providers



Q3. Have you tried to switch your (INSERT THE APPROPRIATE SERVICE PROVIDER) in the last two years?
Base: users of the particular services, %, EU27

On average, 11% of users of retail banking services changed providers or products during the past two years; the most likely to change were the holders of mortgage and investment products (both 13%), while only 9% changed their existing accounts and 10% their long-term credit arrangement. Energy was the sector where EU respondents were the least likely to switch: 7% switched their gas supplier (including LPG) and 8% changed their electricity provider.

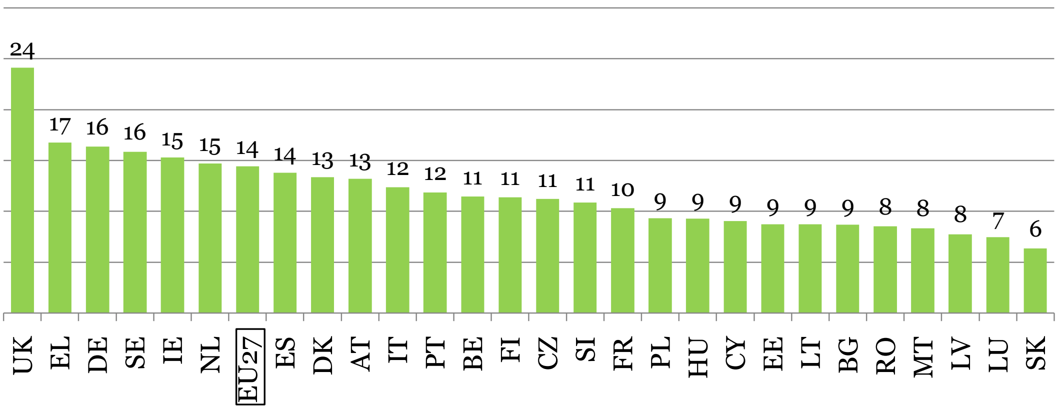
Most consumers *did not switch services because they did not want to*: about 70-80% said they did not switch because they were not interested in a change or cited other reasons not related to the difficulties of switching. However, some citizens were deterred from switching by the amount of effort necessary to complete the task.

Adding those who were discouraged from changing due to the perceived difficulties to those who actually tried to change providers, a group that was *interested in switching* was created. Within this group, the chart (titled "Ease of switching" below) shows the proportions of those who were able to

[2] Definition of "churn": for any given period of time, this is the number of participants who discontinue their use of a service divided by the average number of total participants.

switch *easily*, those who were able to switch *with difficulties*, those who tried but *gave up* and those who *did not even try* because of the perceived difficulties.

Mean switching rate by country, average of all services



Q3. Have you tried to switch your (INSERT THE APPROPRIATE SERVICE PROVIDER) in the last two years?
% switched easily or with difficulties shown
Base: users of the particular services

Considering the average of all services investigated, the switching rate is the highest in the UK (24%). This figure ranges between 6% (Slovakia) and 17% (in Greece).

Switching was seen to be the easiest for the two insurance services that were included in this survey: 79% of those who were interested in changing car insurance (for third-party liability) said they were able to do so without difficulties and 72% of those who were thinking of changing their home insurance policy also had no problems (see chart on next page).

Overall, just a quarter of respondents reported (preventive or non-preventive) difficulties connected to switching suppliers in the insurance sector. The perceived difficulties that prevent consumers from switching providers are the least influential in the car insurance sector: only 6% (of those interested in making a switch) said they were thinking about switching but did not try to do this, considering it too troublesome. For home insurance, this proportion was higher, at 13%.

These perceived difficulties were also not so important when it came to switching **telecommunication** providers (9%-13%, depending on the service), although the switching itself was more difficult. Overall, 38% of respondents using telecom products (of those interested in making a switch) indicated the existence of barriers. Changing mobile telephone services was seen as the easiest: seven out of 10 people found it to be trouble-free (70%). Switching a fixed-line telephone service was considerably more difficult (62% found it easy), but not as complicated as changing one's Internet service provider. Only half of those interested in making such a switch (53%) reported that the switch took place easily and a quarter said the change involved difficulties.

Switching **banking services** was found to be difficult by 43% of those who did not want to stay with their current product or provider. The perceived difficulties that deter consumers from even trying to switch was stronger here: a quarter (27%) did not try to switch their long-term credit arrangements due to such difficulties, as did a similar number in regard to their current account, 21% regarding mortgages and 19% with respect to savings/investment products, possibly due to the expected extra costs. However, those who attempted to switch their service actually reported fewer difficulties than those who tried to do the same in the telecom sector (savings/investments: 10%, mortgages: 14%, current accounts: 10%, long-term credit arrangements: 11%).

Ease of switching

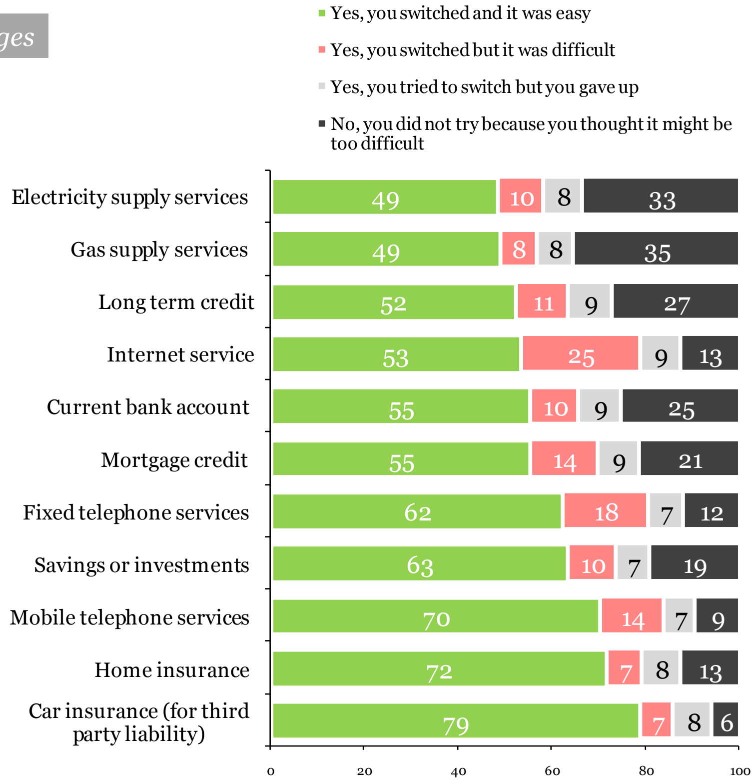
Sectoral averages

Anticipated or experienced difficulties

43%	Banking
25%	Insurance
38%	Telecom
51%	Energy

Q3. Have you tried to switch your (INSERT THE APPROPRIATE SERVICE PROVIDER) in the last two years?

Base: users who did not want to stay with current provider, %, EU27

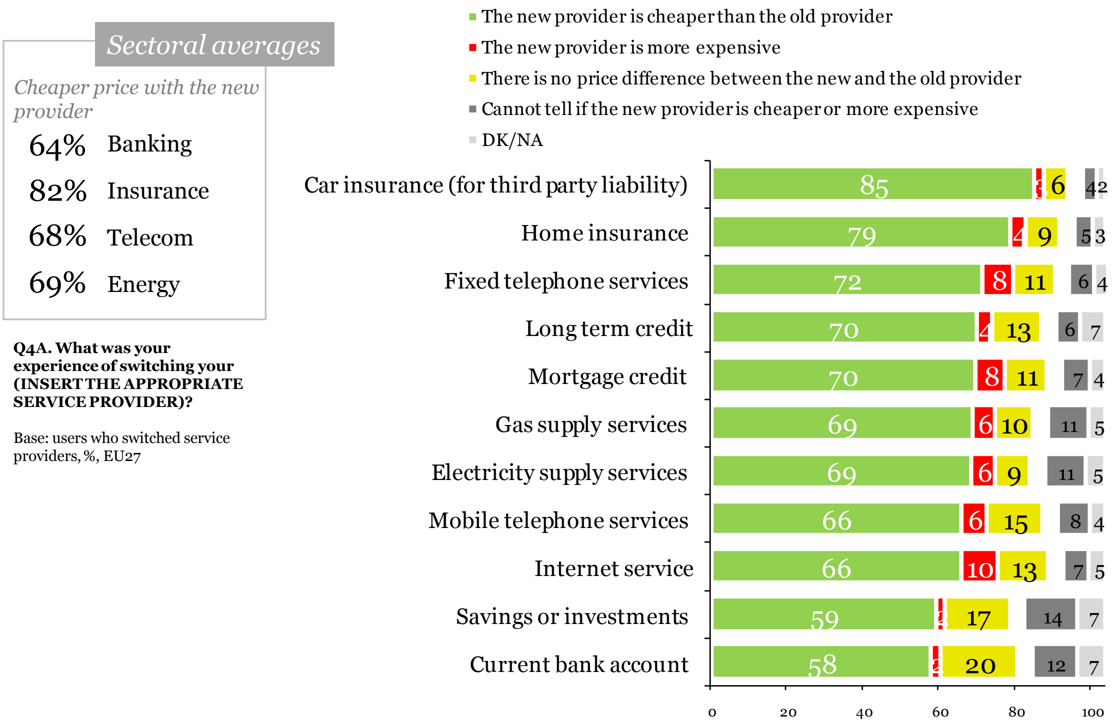


Once again, switching **energy services** was *anticipated* to be difficult, whereas in reality the experience was not so bad. Still, according to more than half of the consumers (51%) the switching process was seen as rather difficult due to both perceived and structural barriers. Later in the report, it can be seen that for many respondents the reason for not switching providers was the absence of an open market for energy supplies in their local area. This should be considered when we look at the fact that one-third of EU27 citizens (of those who recently considered switching / or had switched their provider) did not even try to switch due to anticipated obstacles (electricity: 33%, gas: 35%). On the other hand, for those who actually did swap providers, the process was relatively easy: only 8% (gas) and 10% (electricity) of respondents reported any difficulties in the process.

Reported price levels with the new provider

The survey attempted to measure the perceived benefit obtained by the consumers who switched their services providers. For now it only focused on the aspect of price, by comparing the differences between the new and the old provider.
The chart below ("Price with the new provider") presents an overview for the various types of service in this regard.

Price with the new provider



Q4A. What was your experience of switching your (INSERT THE APPROPRIATE SERVICE PROVIDER)?

Base: users who switched service providers, %, EU27

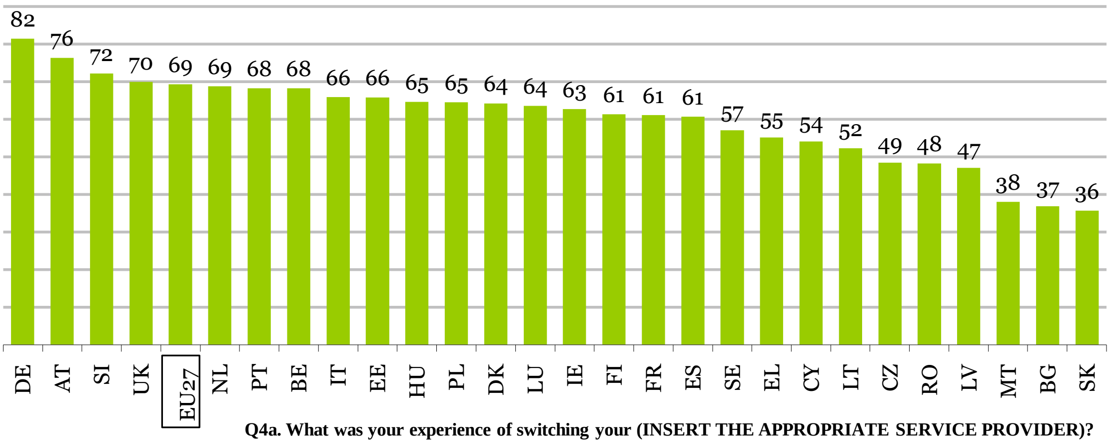
Insurance is the sector with the largest majority of consumers who benefited from a lower price with their new supplier: on average, 82% of respondents switched to a cheaper service. Looking at the sub-types, 85% of those who switched their mandatory car insurance found a better price with the new provider and 79% indicated the same among those who changed their home insurance policy in the past two years. Virtually nobody changed their policy to a more expensive one (car: 3%, home: 4%). Overall, approximately only one in 10 consumers made a decision where either the new policy had the same price or they did not know if there was a difference; car: 10%, home: 14%).

The switching decision for the other sectors also brought lower prices for the majority of respondents. The price with the new provider was cheaper according to 69% of those who switched **energy services**, 68% who switched their **telecom provider** and 64% who replaced a **banking product**.

Only a few consumers reported switching to a more expensive service. Changing to a more expensive service was most often reported in the case of Internet services: one in 10 consumers who changed their product or provider changed to a more expensive one (10%).

There seem to be significant differences across Member States when aggregating the opinions of those switched providers. Considering *all the services, on average* the German consumers are most likely to believe that the new provider is cheaper than the old provider (82%). Three quarters of those changing providers in Austria, Slovenia and the United Kingdom share the same view. At the same time, most Slovak, Bulgarian and Maltese consumers do not confirm such a benefit, as only every third consumer believes that the new provider is cheaper than the old provider.

The new provider is cheaper than the old provider, aggregate average for all services



Q4a. What was your experience of switching your (INSERT THE APPROPRIATE SERVICE PROVIDER)?
% " The new provider is cheaper than the old provider" shown
Base: users of the particular services

Reasons for not switching providers

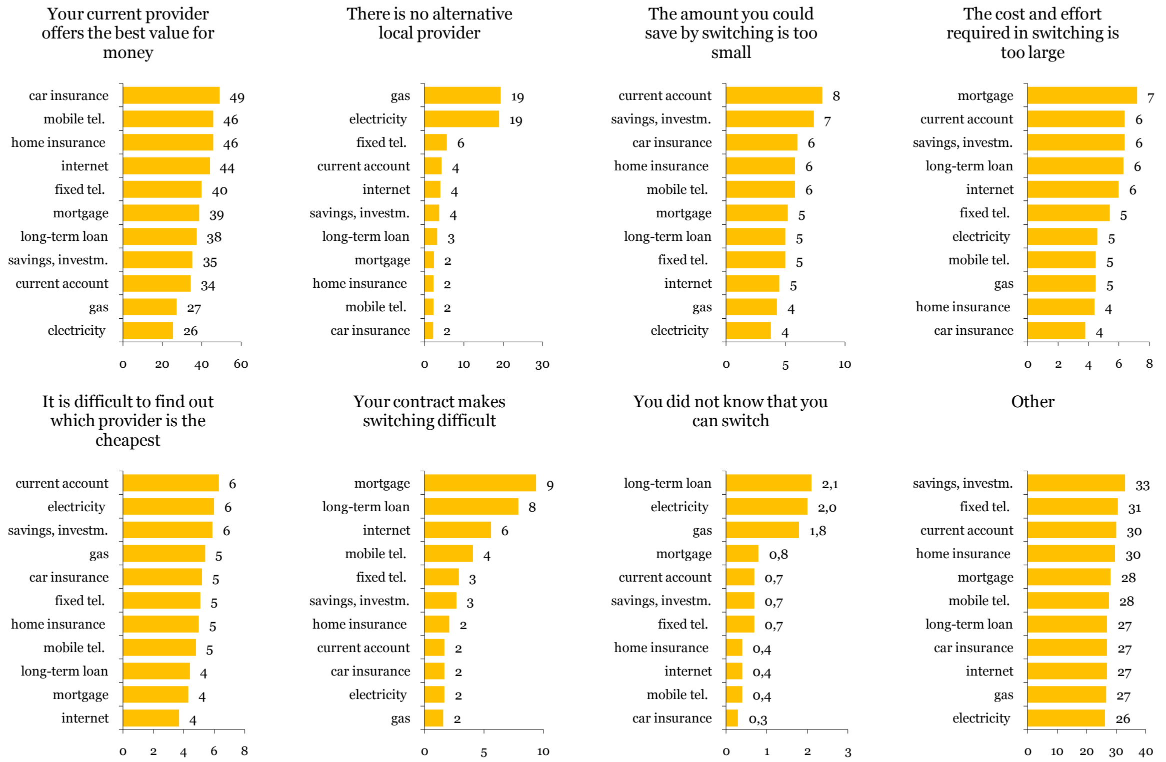
In the survey, respondents were asked to give the main reason that they did not change providers in the past two years. Those who did not switch were asked to indicate the single main reason why they remained with their current supplier. The rankings of the various reasons were generally identical for each service area, with the current provider offering good "value for money" reason topping the list for each one.

Primary reason to remain with the current provider
(one answer only, average for all service types, EU27)

	%
Your current provider offers the best value for money	39
There is no alternative local provider	6
The amount you could save by switching is too small	6
The cost and effort required in switching is too large	5
It is difficult to find out which provider is the cheapest	5
Your contract makes switching difficult	4
You did not know that you can switch	1
Other	29
DK/NA	6

Structural barriers (e.g. that according to respondents there were no alternatives on the local market) were important reasons for not switching their energy provider. In addition, the belief that **the current provider could not be replaced** was a factor cited relatively more often with regard to trying to change electricity and gas suppliers, as well as for long-term loan arrangements.

Reasons for staying with current provider
(different scales)



Q4B. What is the MAIN reason that caused you to remain with your current (INSERT THE APPROPRIATE SERVICE PROVIDER)?
One answer only, Base: those who did not switch providers, %, EU27

The most widespread reason for not switching providers was the belief that the current provider was giving the best **value for money**. This was especially true for services where most of the consumers reported obtaining a lower price after they switched providers: third-party liability car insurance (49%

claimed they did not switch because the current product or provider offered the best "value for money"), mobile phone contracts and home insurance policies (both 46%) and Internet services (44%). The users of energy services (27% for gas and 26% for electricity) were the least likely to believe that they were receiving the best value for money. However, the decisions of people to stay with their existing "current account" provider (34%) or investment product (35%) were also rarely justified by statements that they were getting good value for the money compared to other services.

For these two financial services, some consumers considered that the amount that could be saved by switching is too small. Furthermore, these were among the services which were considered by most consumers to be too expensive to change: 6% thought that **switching** these services **required too much money and effort**. The other two banking services also ranked high in this regard: 7% of respondents were prevented by these reasons from changing their mortgage provider and 6% had similar concerns about changing their long-term credit arrangements and Internet service.

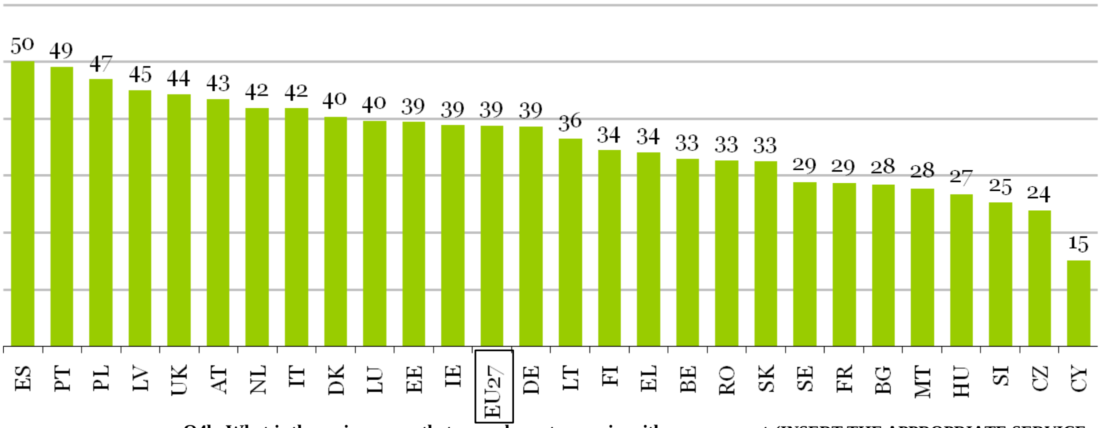
Banking services were also believed to have service contracts that penalised switching; 9% of mortgage owners and 8% of respondents with long-term credit arrangements believed that their **contract made switching difficult**, so they were better off if they stayed with their current provider or product. Six percent of Internet users and 4% of mobile phone users shared this concern; for the other services this claim was rare.

Information was not seen to be a primary issue, but generally 4%-6% of respondents agreed that the absence of a standard comparison framework made it **difficult to determine which competitor had the cheapest offering** in the various service areas.

Finally, the second most cited category was that of "**other**" reasons. The variation of the extent to which consumers indicated such a reason for not switching providers did not vary much across service types: between 26% and 33% cited "other" reasons for not changing them, most often for savings and investment products (33%). Due to cost limitations the Eurobarometer did not explore this issue further.

We also analysed the most widespread reason given for staying with current provider, which is that the current provider offers the best value for money, by looking at the average for all services in each Member State.

Your current provider offers the best value for money, aggregate average for all services



Q4b. What is the main reason that caused you to remain with your current (INSERT THE APPROPRIATE SERVICE PROVIDER)?

% "Your current provider offers the best value for money" shown

Base: users of the particular services

If we combine all services, it is in Spain, Portugal, Poland and Latvia that the majority of consumers responded this, where (almost) every second consumer had this opinion, signalling an overall satisfaction with the services received. However, only 15% of the Cypriots shared this view and less than three out of ten were satisfied in Sweden, France, Bulgaria, Malta, Hungary, Slovenia and the Czech Republic as well.

Tools that facilitate switching

Consumers (users of each of the specific services) were asked to evaluate a number of tools to see if they could help them to decide about retaining a service provider or changing to a new one. As the table below indicates, the most wanted "tool" was a switching process that *costs nothing*; on average, a third (32%) of consumers indicated that this would help them. The other two highly-regarded areas of assistance were both related to *information:* the ability to have standardised comparable offers and a website where the various offers were compared.

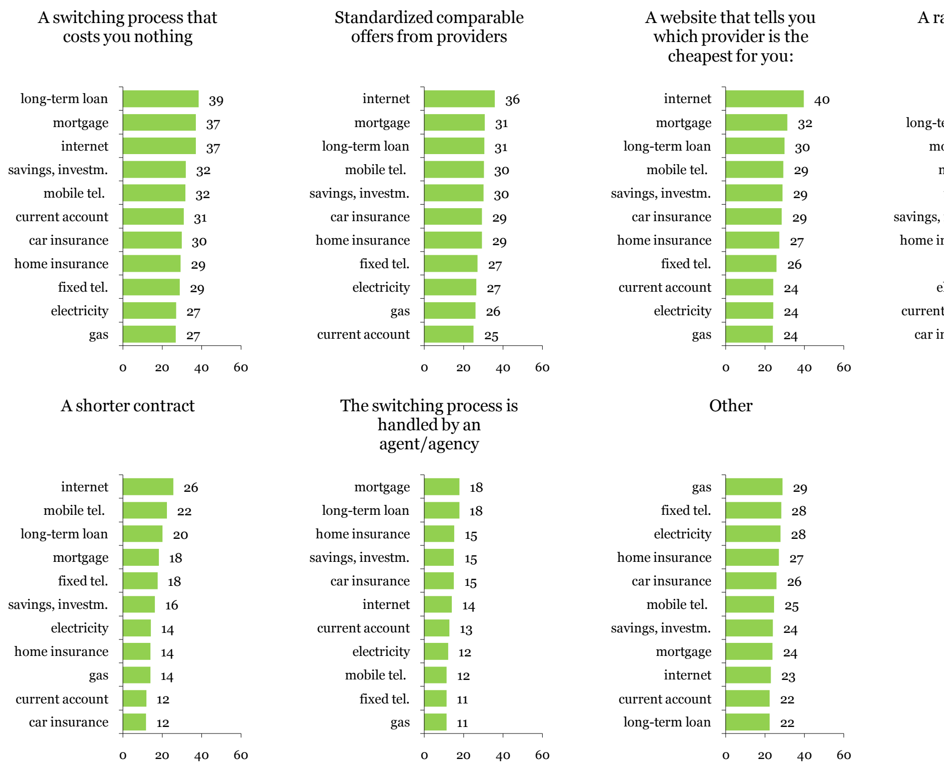
Appreciation of the various proposed facilitators of provider switching
(average for all service types, EU27)

	%
A switching process that costs you nothing	32
Standardized comparable offers from providers	29
A website that tells you which provider is the cheapest	29
A rapid transition period	19
A shorter contract period	17
The switching process is handled by an agent/agency	14
Other	25
DK/NA	19

For about one in five consumers, a key factor was the ability to have an easier process: on average, 19% mentioned a rapid switchover (e.g. within given working days, specified for each service, see survey questionnaire) and 14% agreed that specialised agencies could help them to switch providers. Additionally, 17% would favour shorter contract periods.

The most cited tool - switching that does not involve any costs on the consumer side - was especially favoured by the users of Internet services, and by holders of mortgages and other long-term loans.

Tools potentially facilitating market mobility



Q5a. Which of the following would persuade you to consider switching your current bank account provider? Select as many answers as you consider relevant for you.

* The number of days for the maximum duration of the transition period was specified for each service.

Base: those who did not switch providers, %, EU27

However, the users of these particular services (i.e. Internet services, mortgages and other long-term loans) were also the ones that were the most likely to say that any kind of assistance would be useful to help them to decide about switching to a new provider.

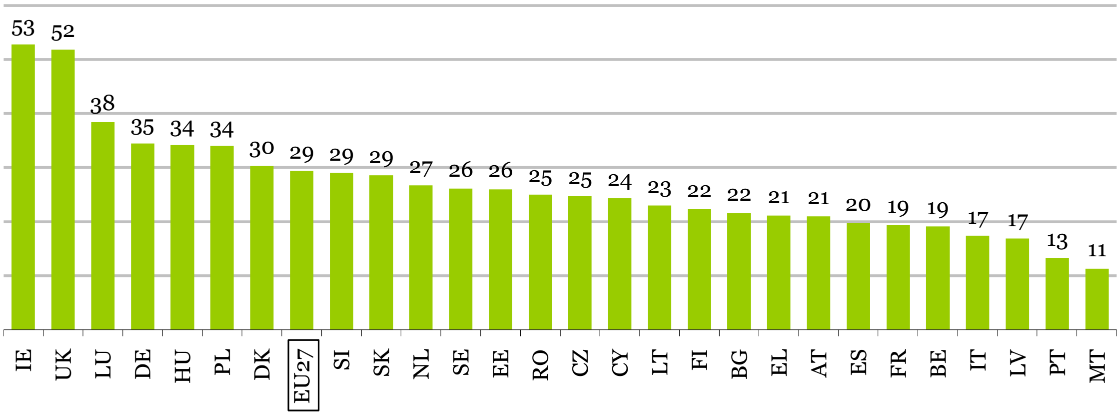
There were only three "tools" aimed at increasing switching where the top three markets did not consist of those services, i.e. Internet services, mortgages and other long-term loan arrangements. The first of these was the specialised agency for handling provider or product switching; users were less likely to find this idea to be potentially useful if they wanted to switch Internet services, it ranked behind insurance products and savings-investments. The other two were "shorter contract periods" and "rapid transition", where mobile telephone service was in the top three service areas.

A look at the bottom end of each of these rankings is actually more telling. Information tools, e.g. standardised offers and a consumer assistance website, were regarded as the least important in the service areas where there are a finite number of players and the services are rather simple, i.e. energy supplies and fixed-line telephones.

Switching that did not involve any additional costs for the user was less likely to facilitate market mobility in the domains of energy supplies and fixed-line telephone services. Short transition periods as well as more limited contract periods were the least important factors for car insurance policy-holders.

Standardised comparable offers were on average (considering all service areas) most preferred by Irish (53%) and British (52%) respondents; in both countries consumers are significantly more interested in such a tool compared to other Member States. Least likely were Maltese (11%) and Portuguese (13%) consumers that uniform, directly comparable offers would help them to choose another provider.

Standardized comparable offers from providers, aggregate average for all services



Q5_2. Which of the following would persuade you to consider switching your current (INSERT THE APPROPRIATE SERVICE PROVIDER)?

% „Standardized comparable offers from providers"

FOR ALL SEVICES

Base: total

Recent changes in price

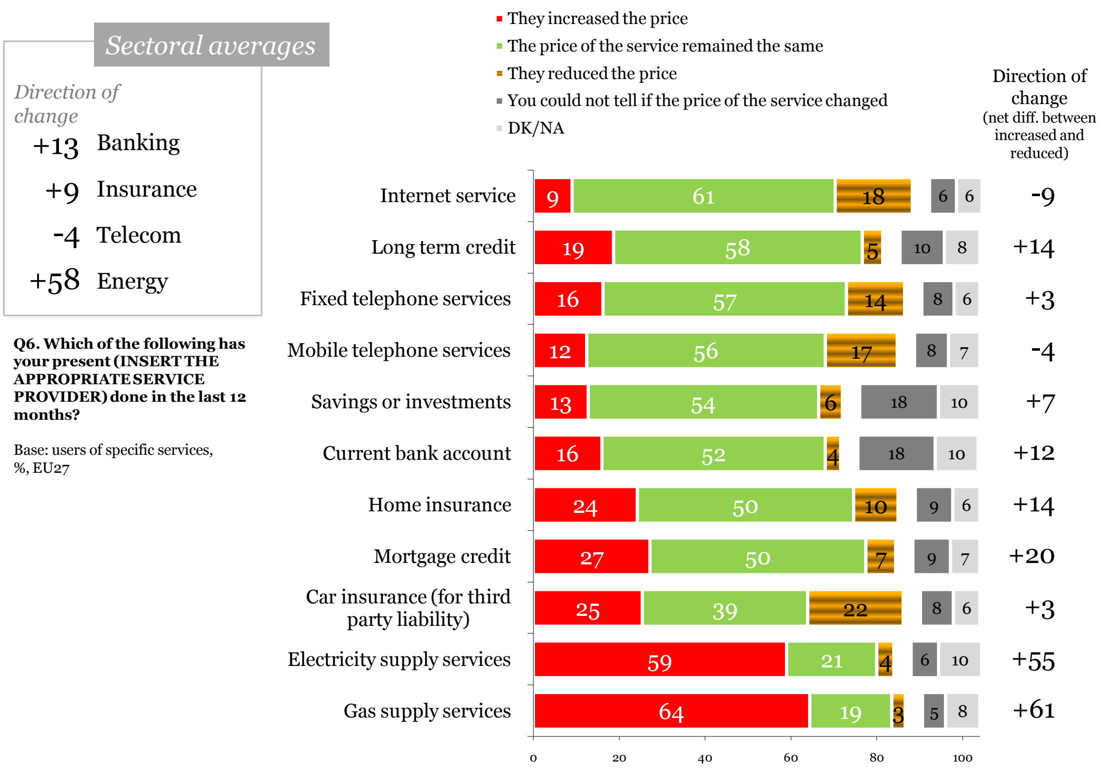
Finally, in order to better understand whether consumers have benefiteed from competition by obtaining lower prices even if they had not switched, respondents were asked whether or not their service provider's prices had changed in the past year, and if yes, in which direction.

Users in huge numbers reported price increases with **energy** suppliers, where the reports of price increases outnumbered the reports of reductions, on average, by 58 percentage points (shown as a net difference on the chart below, under "Direction of change"). The difference between gas and electricity was rather limited compared to other service areas: however more people reported increased gas prices (+61) than did increased electricity prices(+55). In the other service areas, most users reported stable prices.

The average difference between the reported increases and reductions was relatively high and unfavourable for the consumers in the **banking** and especially the crediting sector (with the balance leaning towards price increases, +13 percentage points), primarily due to the reported price increases in the mortgage contracts (+20). In contrast, the costs related to savings products were much less likely to be increasing (+7).

The overall figure was somewhat lower in the **insurance** sector (+9) compared to banking, with a great discrepancy between the car insurance (where only 39% reported stable prices but almost as many reported decreases as increases, resulting in a close-to-zero net difference of +3) and home insurance sectors, where significantly more users reported price increases than reductions (+14).

Recent changes in price (perceptions)

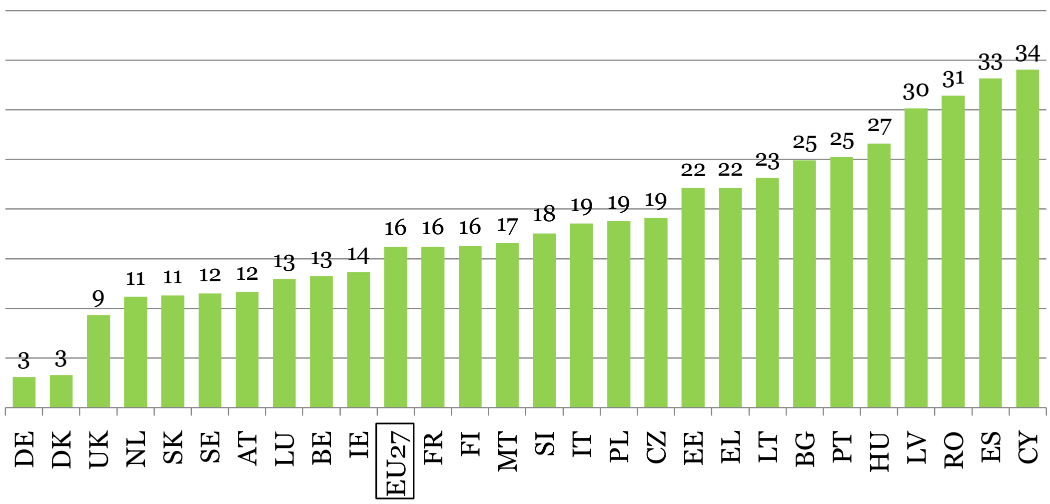


The balance was negative in the telecom services sector (-4) thanks to the Internet service users, who reported reduced prices more often than the opposite (-9); the pattern was similar although less pronounced with mobile phone services (-4). In turn, fixed-line telephone users were somewhat more likely to report price increases than reductions (+3).

Telecom services were among those where most users did not report any change at all. These services claimed three of the top four spots (Internet services, mobile and fixed-line phones) when ranked by users according to price stability (see chart "Recent changes in price" above). The other service type in the top four was long-term loan arrangements, where most users indicated that prices did not change.

Averaging out all service types, a great disparity across Member States can be observed. Looking at the indicator that we called "Direction of change" (see graph on the next page), which in fact is net percentage points difference between "increased prices" and "reduced prices", where positive numbers show reports of price increases outnumbering perceived reductions, brings Germany and Denmark in the most favourable position. In both countries the number of favourable and unfavourable reports (that is, price reductions and increases, respectively) were almost on balance in the average of the eleven service and product types investigated – reports of increased prices outnumbered the reported reductions by only +3 percentage points.

Direction of change, average across all service types



Q6. Which of the following has your present (INSERT THE APPROPRIATE SERVICE PROVIDER) done in the last 12 months?

Net percentage points difference between "increased prices" and "reduced prices" shown,
positive figures mean that those reporting increased prices outnumber those reporting reduced ones.

No other Member State was close to such balance and none was providing a perception of a general price level decrease. On the contrary, mostly driven by the surging energy prices, this perceived direction of change is in most Member States unfavourable: especially in Cyprus (where the reports of price increases outnumbered contrary indications by +34 percentage points), in Spain (+33), Romania (+31) and Latvia (+30). The reader must note that these perceptions don't necessarily reflect actual price levels or even rates of inflation, they rather show the public's general perception of recent evolution of the prices of the services discussed in each country.

The table below suggests that in markets with higher consumer mobility (e.g. more consumers changing providers) users are less likely to report price increases, and the overall balance of positive and negative reports are generally more favourable. The level of correlation is 0.76, which indicates a rather strong association between the percentage of switching users and (less unfavourable) price changes.

Relationship between market mobility and price developments, by service area

	% switched	direction of reported change in prices (% lower - % higher)
Car insurance	25	-3
Internet service	22	9
Mobile telephone services	19	4
Fixed telephone services	18	-3
Mortgage loan	13	-20
Savings or investments	13	-7
Home Insurance	13	-14
Long term loan	10	-14
Current bank account	9	-12
Electricity supply services	8	-55
Gas supply services	7	-61

However, a similar analysis at Member State level shows that the correlation does not exist, indicating that such relationship is not present in every national market of the EU.

Vulnerable consumers

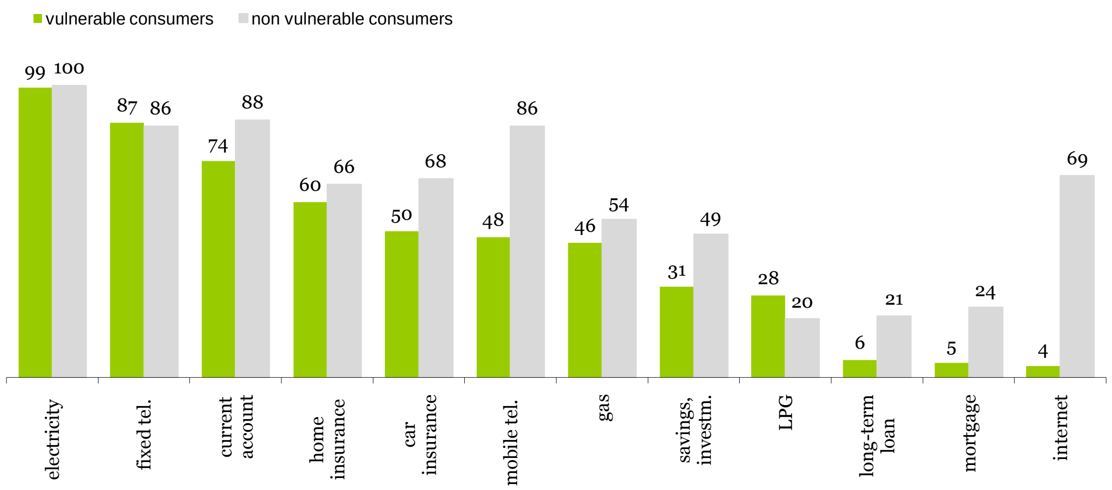
The European Commission policies aim at assisting the most vulnerable consumer groups who are the least competent in switching an existing service provider or in collecting and assessing the various service offers available for them. This survey used an operational definition of vulnerable consumers, determined by the following socio-demographic characteristics:

- aged 65 or older,
- living in rural zones,
- possessing a low level of education (left school at the age of 15 or earlier),
- inactive (but not student),
- and have no access to internet.

For the sake of the following analysis we created an EU-level consumer group where each member fits at least four of the above five criteria (vulnerable group, about 11% of all consumers), and we compared them to the rest of the European consumer sample. Please note that in the tables provided in the Annex, for each question we include the results for this group, compared to non-vulnerable consumers (as part of the socio-demographic breakdowns).

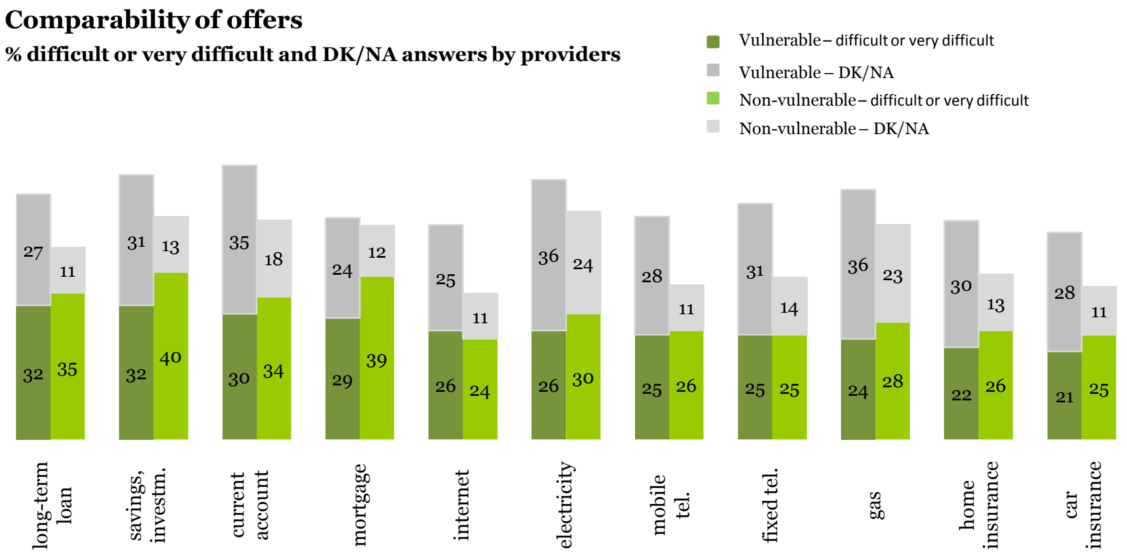
Regarding the **usage** of electricity and mains gas there is no difference between the target group and the rest of the population (see graph below). There are more LPG users among vulnerable consumers than in other parts of the population. On the other hand, all the other services listed are used to a lesser extent by vulnerable consumers as opposed to others. A spectacular difference is reported in the use of mobile phone services. Only half are mobile phone users, whereas in the rest of the population nine out of ten use mobile phones. Vulnerable consumers barely use banking credit services and, of course, internet (which – or the lack of which – was part of the definition we used to define vulnerable consumers).

Penetration of services

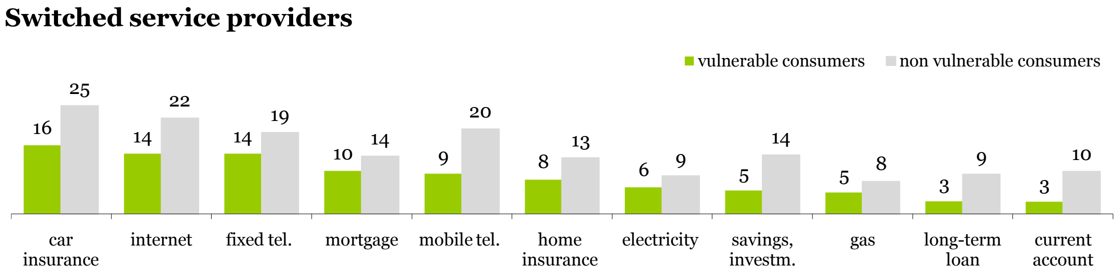


Q1. Could you tell me which of the following services or providers do you use?
% of mention
Base: total

Results also show that vulnerable costumers using services are much less informed about the services investigated than non-vulnerable segments of the society. As a response to the question **how difficult it is to compare** the offers given by different providers, much more vulnerable consumers have replied "do not know" than others. Thus, the proportion of those who consider this an easy or very easy task is much lower than in other groups: in the vulnerable customers' group this ratio is between 35-50% per service, whereas in other groups the ratio of those for who the comparison does not present a problem is between 46-67%. Due to the high number of *don't know* answers, vulnerable consumers are in most cases also less likely than the non-vulnerable segment to consider the offers difficult to compare, as the graph below shows.



Q2. In general, how easy do you thing it is to compare offers from different (INSERT THE APPROPRIATE SERVICE PROVIDER)?
Base:users of the particular services, %, EU27



Q3. Have you tried to switchyour (INSERT THE APPROPRIATE SERVICE PROVIDER) in the last two years?
Base:users of the particular services, %, EU27

In the light of the above described characteristics, it is hardly surprising that vulnerable consumers in general do not change providers as frequently as others. The biggest difference was observed regarding mobile telephone providers, where only 9% per cent of the users classified as "vulnerable" have changed provider as opposed to 20% in the case of others. There is also a significant difference in terms of car insurance where 16% of the vulnerable consumers have changed provider as opposed to the others (25%). Apart from these services, vulnerable consumers change savings or investments providers (5% vs. 14%) as well as internet providers (14% vs. 22%) less frequently.

The table to the right provides an overview of the 'available' samples for the **analysis of the experiences of provider switching** among those who reported such a move. 11% of all consumers were classified as vulnerable, they are less likely than others to use most services, and also they are less likely than others to change providers – this results in very low sample sizes as indicated on the table.

Sample size constrains for the analysis

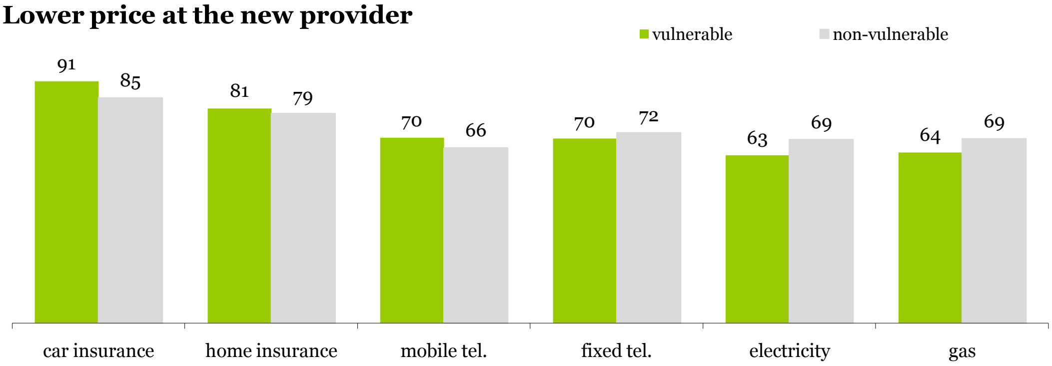
	vulnerable consumers who switched providers (EU27)
credit longer than 1 year	N=4
internet	N=10
mortgage credit	N=13
savings / investments	N=48
current account	N=59
gas	N=98
mobile tel.	N=126
home insurance	N=136
car insurance	N=226
fixed tel.	N=341
electricity	N=171

The number of switchers is rather low in each of the service areas, however it is particularly low for the banking services: e.g. only 4 people from the vulnerable group changed their long-term credit provider, 13 did so for their mortgage, 48 for savings products and 59 people did switch current account provider. These services are therefore not included in the below analysis, together with internet service, where the number of vulnerable switchers (inseparably from the group definition, see above) is also very low.

Once again, a systematic difference is that those in the vulnerable group who switched providers were much more likely to state that they are not sure **if and how prices with their new provider are different**, the number of "don't know" answers outnumber those in the non-vulnerable segment for most services investigated. Exceptions are car insurance, fixed telephone and gas supply service; in these service areas vulnerable switchers were more conscious about the new prices than those in the non-vulnerable segment.

Overall, the proportion who gained a better price with the new provider are not different in the vulnerable and the non-vulnerable group. The graph below shows very little differences in the proportions of those who attained a cheaper price with the new provider – considering the rather large margin of error associated with the above describes sample sizes, these differences are statistically insignificant.

Lower price at the new provider



Q4. What was your experience of switching your (INSERT THE APPROPRIATE SERVICE PROVIDER)?
" The new provider is cheaper than the old provider" is shown
Base: those who switched providers, %, EU27

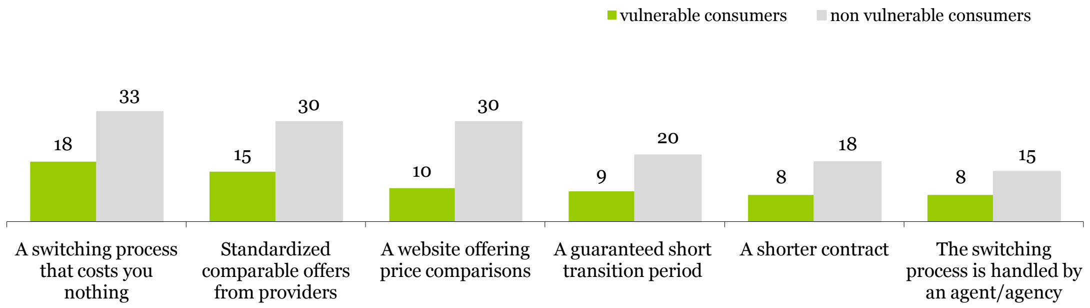
The reasons given by vulnerable consumers **why they do not change providers** do not present any noteworthy difference when compared to the rest of the population. As the table below shows (averaging out all surveyed services) the overall view of vulnerable consumers about potential burdens in provider switching are very similar to the responses obtained from the non-vulnerable group. One slight pattern prevails: vulnerable consumers are less likely to believe that their current service has the best value for the money, and they are more likely to indicate "*other*" reasons to stay with the current provider and they are also more likely to reply "*don't know*" for this question. Actual barriers are either similarly, or less often reported than in the non-vulnerable group of users.

Reasons for NOT SWITCHING service providers, by vulnerability
Grand mean of all services, EU-27, %

	vulnerable	non-vulnerable
Your current provider offers the best value for money	36	39
There is no alternative local provider	6	6
The amount you could save by switching is too small	5	6
It is difficult to find out which provider is the cheapest	5	5
The cost and effort required in switching is too large	4	6
Your contract makes switching difficult	3	4
You did not know that you can switch	1	1
Other	32	28
DK/NA	9	6

In the vulnerable group, compared to others, there was a significantly lower interest in the listed solutions potentially facilitating market mobility (e.g. tools and rules that would enable them to choose a cheaper product or that remove barriers usually present in provider switching). In this group as well, people support the idea that they could be more interested in a change if the switching process costed nothing, although it represents a mere 18% (this is a grand mean for all services) as compared to the rest of the population where it is 33% who support this idea. Generally, the level of "*don't know*" answers is higher in the vulnerable segment compared to other consumers.

Tools potentially facilitating market mobility



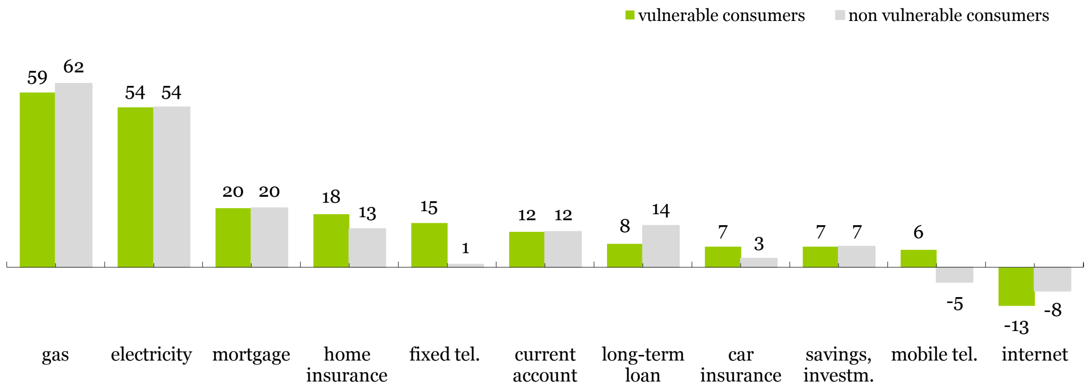
Q5. Which of the following would persuade you to consider switching your current (INSERT THE APPROPRIATE SERVICE PROVIDER)?"
Base: those who did not switch providers, %, EU27

Generally, price changes affect the vulnerable and non-vulnerable consumer groups similarly. The graph below shows the percentage point difference between reported price increase and reported decreases in the various services, since last year (that is, the first number on the graph means that the reported increases in gas process outnumbered the reported decreases by 59 percentage points in the vulnerable segment).

Vulnerable consumers are reportedly more likely to face price increases in telephony: for fixed telephone service 15 percentage points more vulnerable consumers report increased prices versus only 1% among non-vulnerable consumers, and in the latter group more consumers reported lower mobile telephone prices (-5) while the general direction among vulnerable users goes in the direction of increases (+6).

Vulnerable consumers have slightly different views regarding the prices of home and car insurance providers, too. In both cases, they are more likely to witness increases compared to non-vulnerable consumers in the EU.

Recent changes in price (perceptions)



Q6. Which of the following has your present (INSERT THE APPROPRIATE SERVICE PROVIDER) done in the last 12 months?

"Direction of change", percentage point difference between reported increases and decreases shown

Base: users of the particular services, EU27