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Consumer Market Study on the functioning of the market for Internet access and provision from a consumer perspective

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Background information

- Scope
- Objectives
  - decision-making
  - service
- Methodology – data collection tools
  - consumer survey
  - switching exercise
  - evaluation of CWs and ISPs
  - surveys of stakeholders
  - potential savings & consumer detriment

Key findings:
Availability of offers – choice

Consumer choice in providers & tariffs

- Old MS: more likely 3 or more ISPs. New MS less choice
- Rural areas: more likely only 1 or 2 ISPs (though 50% have access to > 3 ISPs)
- In CY (81%), MT (67%), LV (66%), LU (64%), EE (62%) the majority use the incumbent provider; lowest incumbent in SE (8%), RO (17%) and PL (18%)
- 70% satisfaction with the tariff/package options from current ISP

Product/service availability - characteristics

- Vast majority receive Internet access as a bundle. Only 14% standalone Internet access
- Connection speeds: many new MS (eg. RO, LT) display high % of either the highest or lowest connections speeds; service provision generally homogenous in old MS
- New MS considerably less likely to rely on DSL than old MS

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Product/service availability - prices

- On average, consumers across EU spend **36.5E /month** on Internet bundle or standalone Internet access;
  74% 11-50 E/month, 44% 21-40 Euro
- Those with the incumbent pay, on average, just over 5E more/month than with new entrant
- Significant cross-country differences in average prices

Key factors in choice of provider

- Value for money (34%) connection speed (26%)
  special promotion (23%) brand recognition (20%)

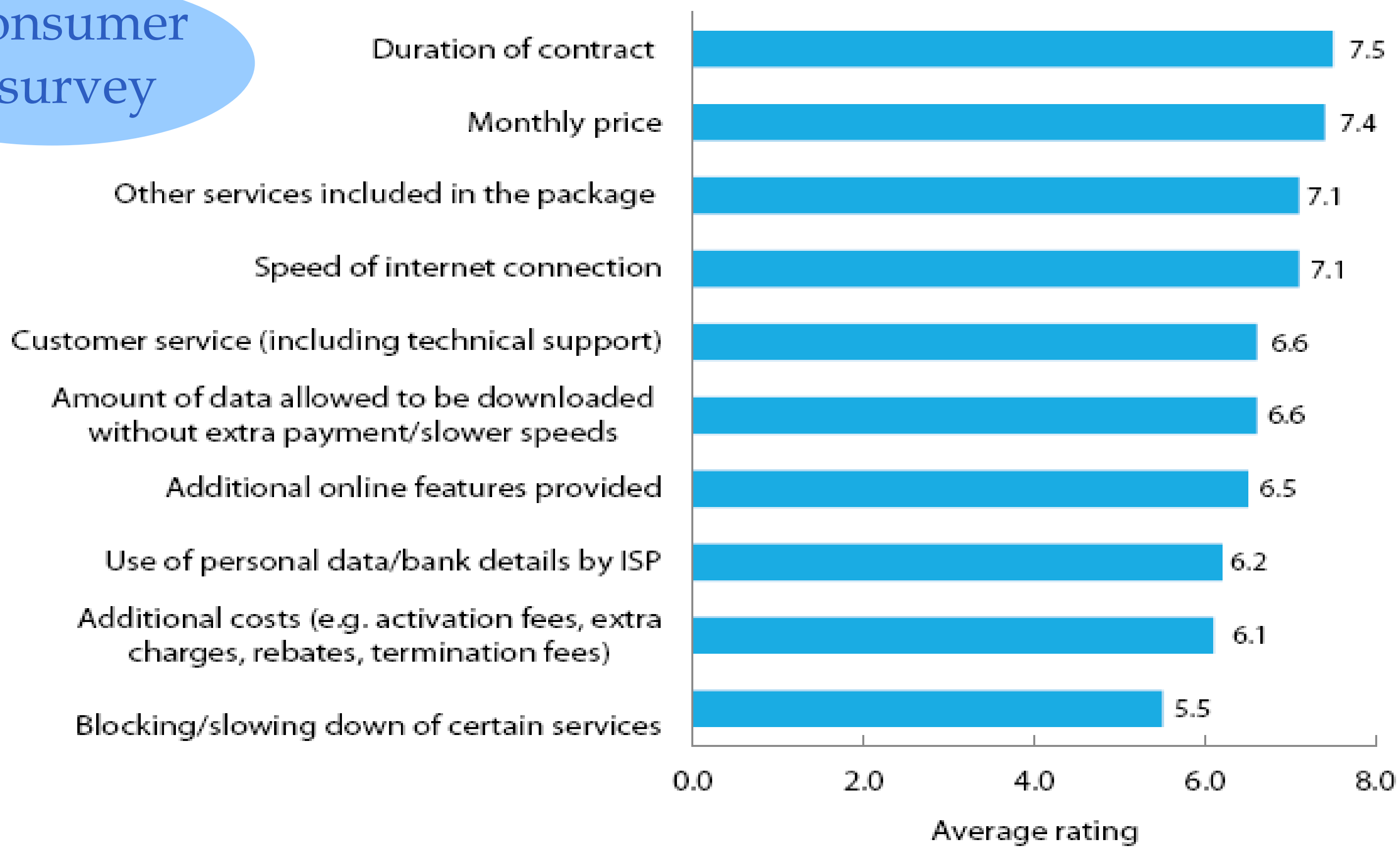
- Special offers/promotions: more evident in southern Europe (PT, IT, EL and ES). CY, FR and EL placed emphasis on well-known brands

- 70% agree that their current Internet tariff/package is good value for money

Key findings:
Clarity of offers

Clarity of information on key components

Consumer survey



- Mystery shoppers: approx. 2/3s of ISPs provide clear information regarding offers & price

Key findings:
Comparison of offers

Ease and experience of comparing offers

- 63% compared offers for Internet access over last 12 months
- 70% found comparison easy
- Proportion that compared different offers: highest in PL (73%) and EL (72%), lowest in MT (16%) and CY (26%)
- Respondents who considered switching (but not actually did) more likely to find comparing offers complicated

Availability of comparison websites

- Varies substantially across 29 countries: only in 12 countries 5 or more relevant CWs identified
- Absence of comparison websites in some markets and lack of knowledge of their availability reflected in consumer survey:
  - Just 46% of respondents have ever used a CW for this purpose
  - 26% don't know of a relevant website
  - 6% don't know what a CW is

Experience with comparison websites

- Respondents who used a comparison website mostly describe it positively. However, only 12% found current provider in this manner
- 1 in 10 CW users found outdated or incomplete offers (1 in 30 in earlier e-commerce study on goods)

compares unfavourably with experience in other markets

Functionality of comparison websites

- 81 comparison websites in 22 countries:
  - Only 41% of CWs rated helpful in allowing an informed choice
- Vast majority, little or no information on: selection of ISPs, frequency of checking offers/prices, revenue, compliance with an accreditation scheme/code of conduct
- CWs run/accredited by NRAs assessed better than non-regulator CWs:
  - 70% vs 36% on allowing an informed choice

Key findings:
Switching provider

Switching behaviour /1

- Proportion of switchers higher in metropolitan areas than rural zones/villages
- Switchers more likely to have had standalone Internet access with previous connection (22%) than with current (12%)
- 44% switched tariff or package with the same provider

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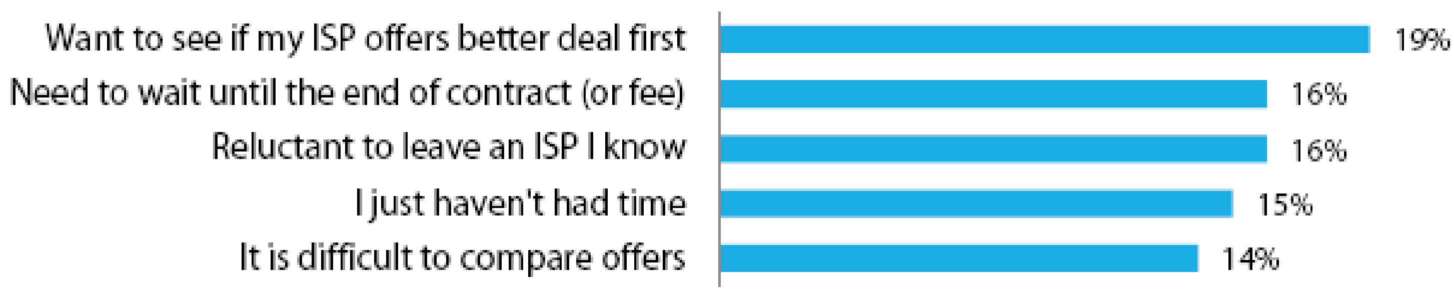
- Drivers for switching:

- Reasons for not switching



- Reasons for not considering switching:

The switching process /1

- New provider arranged switch (50%);
  Consumers organised switch themselves (35%)
- **2.5 hrs of personal time spent on switching process**
- Those with bundle generally spent longer
- Only 10% found process difficult
- 44% of switcher respondents experienced problems when switching

The switching process /2

- 50% participants in switching exercise experienced problem(s) when switching (significant interruption in connection, technical difficulties)

- **Average connection interruption : 4.7 days**

- Countries where DSL is the main infrastructure: longer service interruption

Satisfaction with switching outcomes

- High level of satisfaction: 80% (consistent across MS)
- Respondents with post-switch speeds > 12 Mbps more satisfied
- More than 66% of switching exercise participants satisfied after switch (ratio differed by country)
- Reasons for disatisfaction:
  - connection loss
  - technical difficulties with new service
  - charges for new connection before function
  - non-transferable e-mail accounts

Respondents' reported savings after switching provider

- **Average savings of 14.7 Euro/month**

- Average amount varies substantially by country: highest in CY (23.7 E/per month), lowest amounts in BG, RO, LT and LV (6.1-8.6E)

- Old MS (high market share for DSL) pay more for broadband but realise greater savings

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Assessment of potential savings from switching provider

- All 27 MS, Iceland and Norway:

7,345.9 - 8,690.3 million Euro/year

by switching from current ISP to the cheapest ISP (for same service elements)

- Average household savings:

105.2 - 124.4 Euro /yr, or **8.8 -10.4 Euro/month**

- High estimated savings in CY, DK, IT, LU, PL, SK, SE and the UK

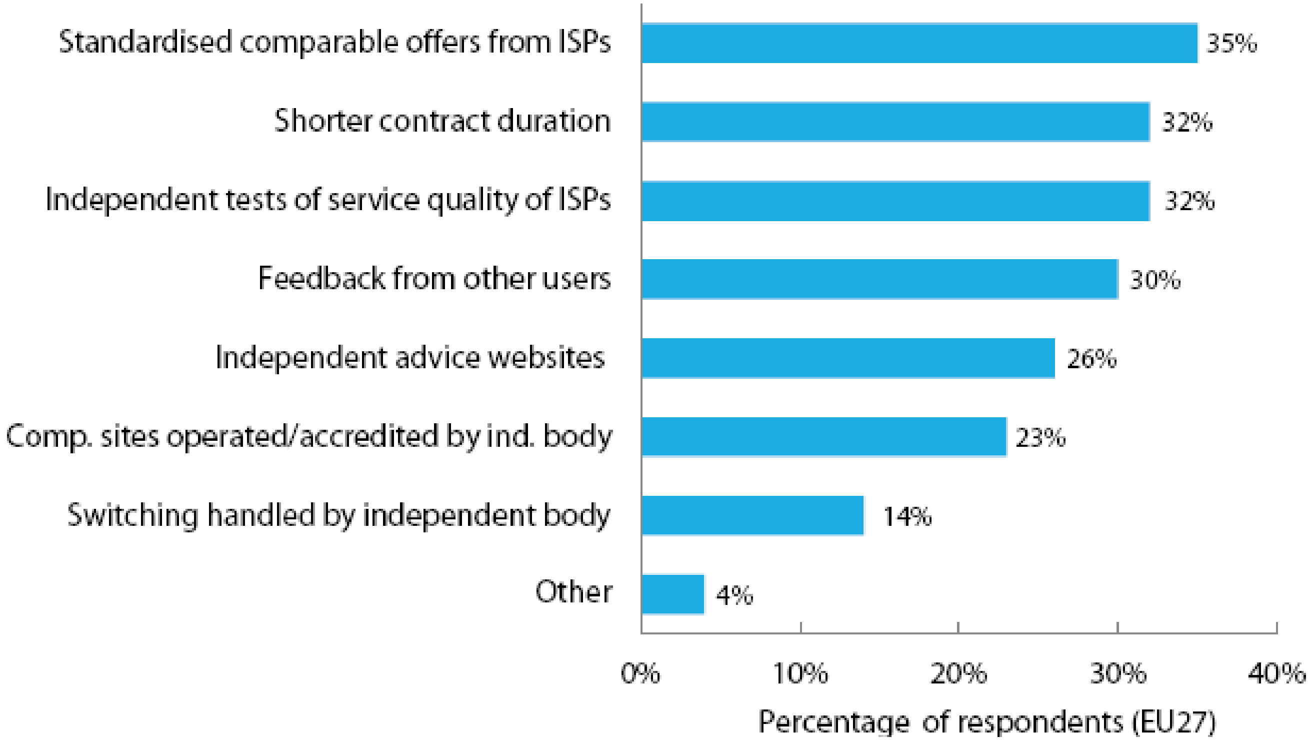
Switching costs and net savings

- Average financial (time) cost with switching ISP:
  9.6- 31.9 Euro/household
  (during leisure - work time)

- Net savings of switching in 1st year:
  73.3 Euro - 114.8 Euro/household
  (not taking into account any termination fees)

- High termination fees reduce potential savings from switching

Facilitators to switching provider

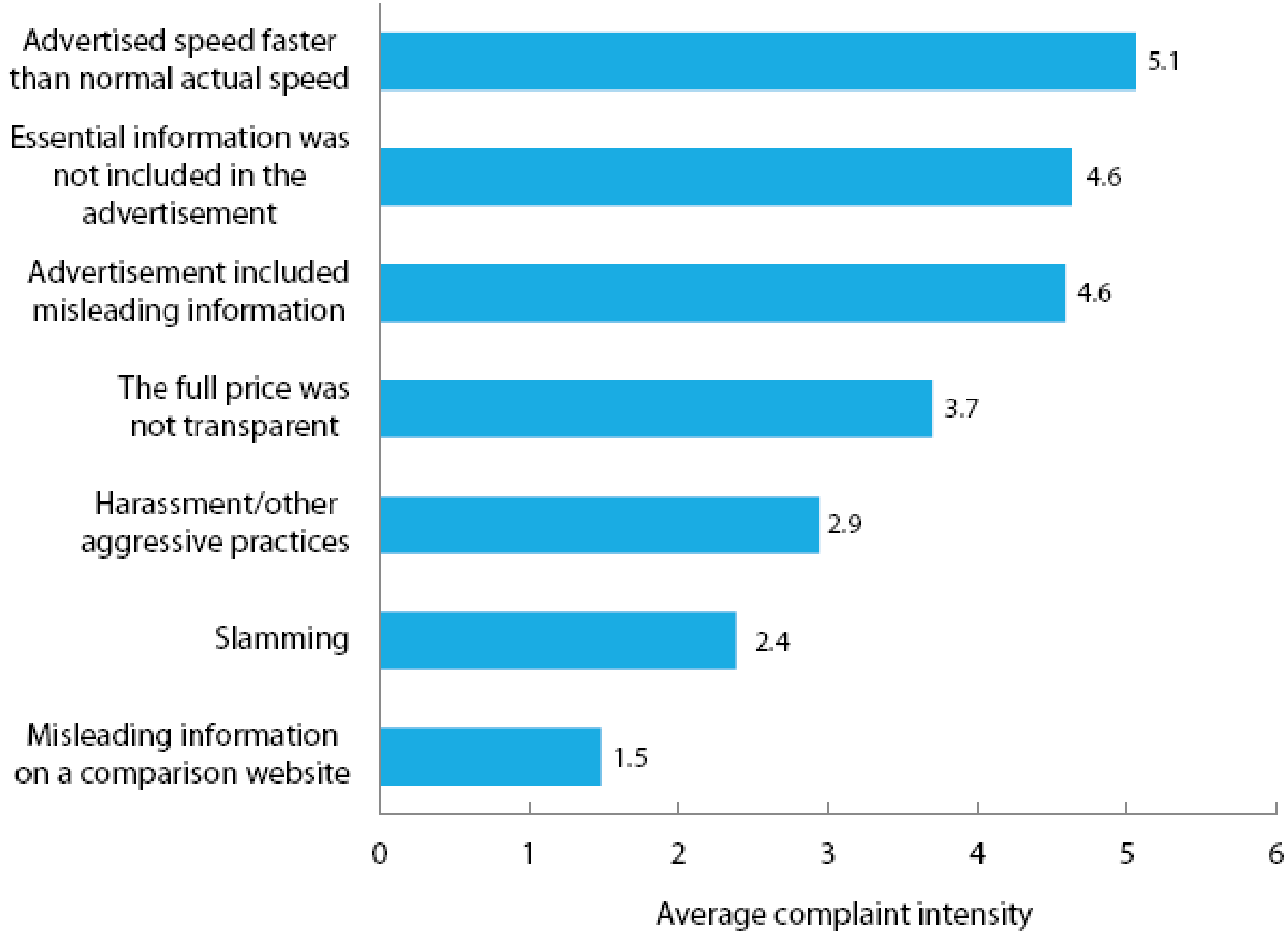


- 4 of the top 6 facilitators: external, independent information sources

Key findings:
Unfair commercial practices and contract terms

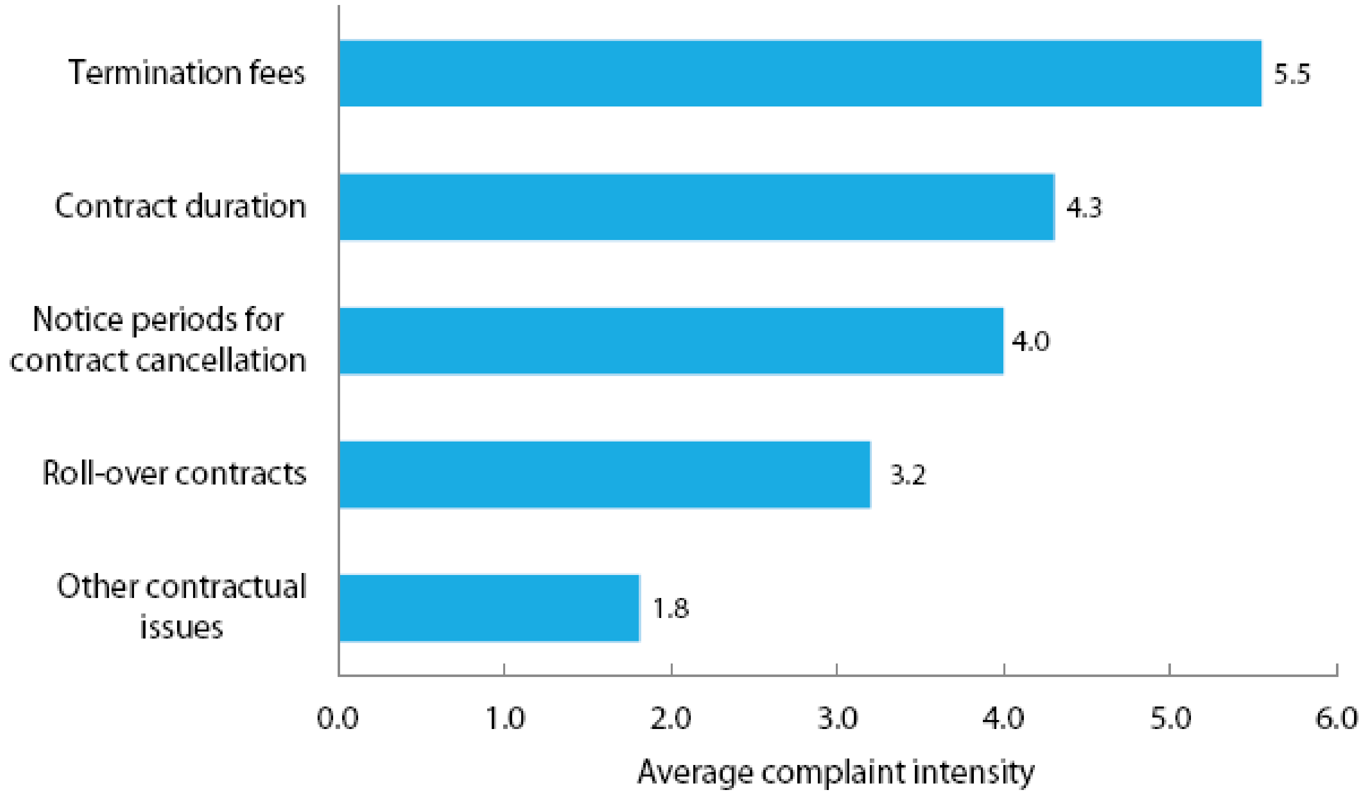
Unfair Commercial practices

48%



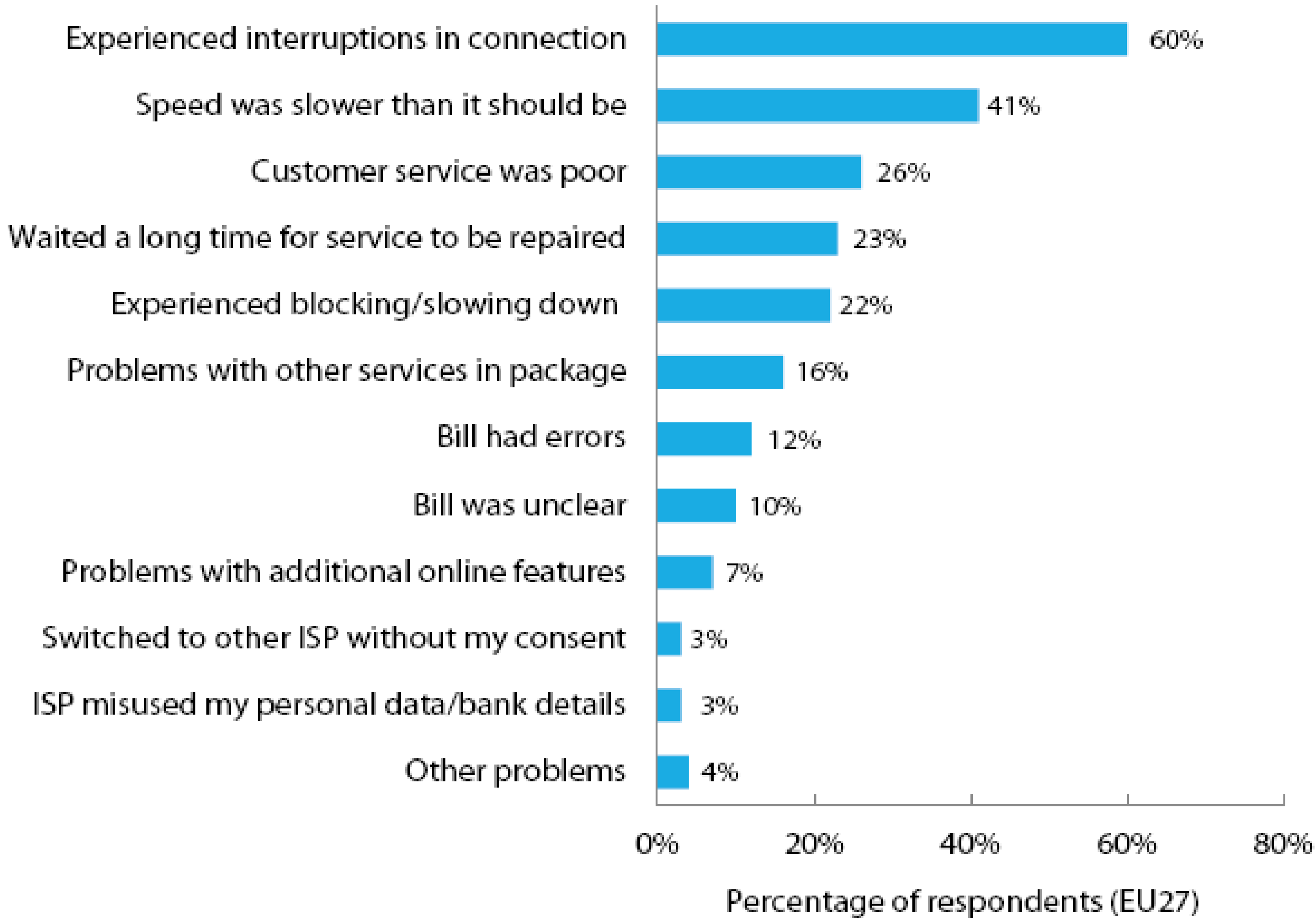
Unfair contract terms

35%



Key findings:
Consumer problems and complaints

Types of problems experienced



Incidence of problems

- 37% of respondents experienced problems with their ISP during last 12 months
- Incidence of problems: higher for new MS
- Among old MS, average incidence higher in southern Europe (EL, IT, PT and ES)
- Identical incidence of problems subscribed to incumbent or new entrant

Privacy – data protection

- Information provided by ISPs not v. clear or transparent
- 35% disagree that their ISP uses personal data responsibly
- Only 3% of consumers reported problems with misuse of personal data
- Low number of complaints/dispute cases related to privacy

Estimated monetary detriment to consumers /1

- Detriment because consumers cannot access their service and/or because they spend time solving problems

- Approach:
  - ✓ % of households experiencing problems yearly
  - ✓ personal time spent trying to solve them
  - ✓ days of internet outages

- A day of lost connection valued at 1/30th of the average monthly price

Estimated monetary detriment to consumers /2

- Consumers with standalone Internet access:

  130.9 - 394.6 million Euro for the EU27, NO + IS
- Consumers with bundles:

  1,262.4 - 3,596.3 million Euro
- Total annual consumer detriment:

  1,393.3 - 3,990.9 million Euro
- Conservative estimate since costs consumers may bear for alternative access to Internet not considered

Key findings:
Complaint handling

Satisfaction with complaint handling

- Switching exercise:
  - 59% of consumers satisfied with ISPs
  - 18% fairly dissatisfied and 23% not at all satisfied
- 26% dissatisfaction at communication with ISPs via phone
- 57% dissatisfaction at communication with ISPs via e-mail
- Average duration of response to e-mail: 2 days (quickest responses for UK, longest for PL)

Dispute resolution /1

- All 15 ADR entities (stakeholder survey) deal with broadband Internet-related cases
  - 7 mediation entities
  - 6 arbitration/Ombudsman services (binding decisions)

- Good practices include:
  - mandatory membership of (Ombudsman) schemes by ISPs
  - stakeholder dialogues and
  - absence of UCT before admitting ISPs to ADR

Dispute resolution /2

- Low take up and use of ADR entities by consumers

- Of the 23% of respondents who took no action in response to the biggest problem experienced during past year, 5% only were not aware of a relevant ADR entity

Concluding recommendations under preparation

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Thank you for your attention!

More info:

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