Consumers and the communications market: where we are now

Publication date: May 2005

Contents

Background, research objectives and approach

Background and research objectives

1.1 The Ofcom Consumer Panel is the independent advisory body set up under section 16 (2) of the Communications Act 2003 to advise Ofcom on consumer interests in broadcasting and telecommunications. This report details the findings from the market research project commissioned by the Consumer Panel into the current residential consumer and SME experience of the communications market. This will be an annual survey to assess changing consumer concerns year on year, and will be used by the Consumer Panel to inform its work in a number of areas.

1.2 The research focused on the residential consumer and SME experience of telecommunications (fixed and mobile), the internet (including broadband) and (for consumers only) broadcasting – including digital switchover – and use of technology.

1.3 The two key objectives for the research are to establish:

- What is the level of consumer knowledge regarding what is going on in the communications market and the choices/ alternatives they have now and will have in the future?

- What is the current consumer experience in the communications market?

Research approach

1.4 An initial phase of qualitative research was conducted by MORI on behalf of the Consumer Panel. This comprised in-depth interviews and observations of 32 citizen researchers, followed by 32 mini group discussions. The key findings from this qualitative study are included as annex A to this report and were used to inform the quantitative research subsequently conducted, and reported in detail in this document.

1.5 This report details the findings from the quantitative survey conducted for the Consumer Panel by the research agency saville rossiter-base. An in-home study was conducted with residential consumers across England, Scotland, Wales and Northern Ireland – from 8 to 30 October 2004. A telephone study was conducted with owners and managers of SMEs across the UK – from 18 October to 5 November 2004.

Residential consumer study sampling

1.6 A total of 2,519 interviews were conducted with residential consumers in their homes by a team of interviewers across 193 locations in the UK. In order to research in detail the very different groups of consumers that the Panel represents, quotas were set to achieve a minimum number of interviews with residential consumers in specific groups of interest to the Consumer Panel:

- Older people aged 65 or over (461 interviews achieved)
- Rural areas (398 interviews achieved) – using ACORN (A Classification Of Residential Neighbourhoods) classifications to define rural areas.
- Dense urban areas (687 interviews achieved) – using ACORN classifications to define dense urban areas
- Those with a limiting long-term illness or disability (488 interviews achieved)
- Those with a household income of under £11,500 per year (1,013 interviews achieved)
- Ethnic minorities (331 interviews achieved)

1.7 All data reported in this document has been weighted to match the profile for each of the four nations as detailed in the 2001 Census. The profile for each of the groups of interest covered by the survey for the UK as a whole and for each of the four UK nations is shown in figure 1. The table shows in **bold** where incidences of the groups vary significantly from the profile of the UK as a whole. The final row of the table shows the extent to which each of the four UK nations contribute to the overall UK population. This information has been included in order to illustrate that the findings for England will always be close to the findings for the UK as a whole due to the size of the population relative to the other three nations.

Figure 1. Profile of groups of interest by nation[1]

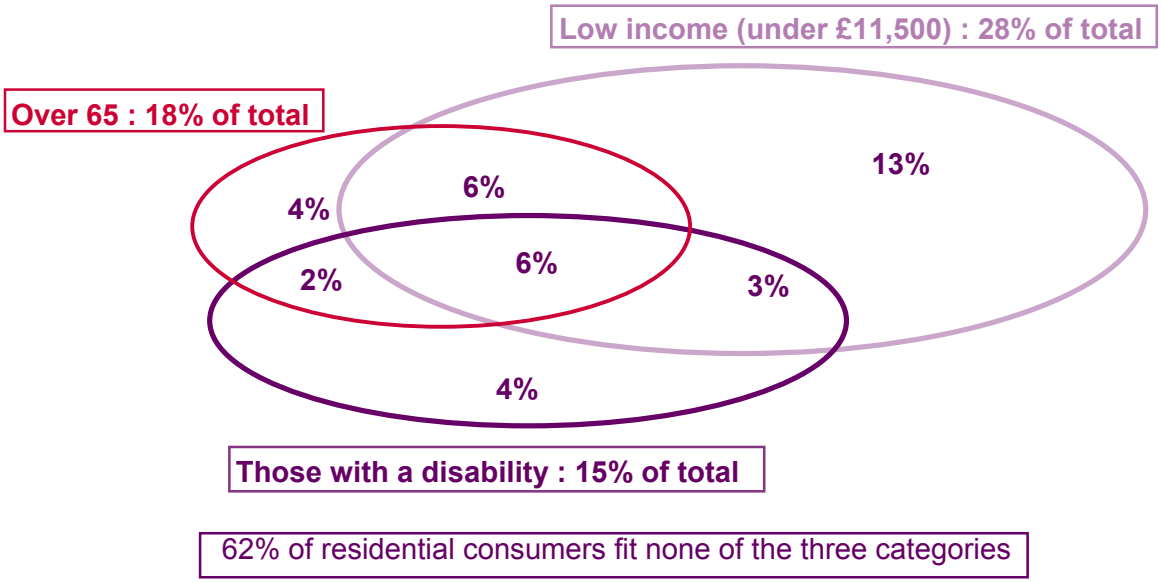
	England 	Scotland 	Wales 	Northern Ireland 	UK TOTAL 
Older people (aged 65 plus)	16%	16%	18%	14%	16%
Rural	13%	13%	**19%**	**55%**	15%
Non-white	**7%**	1%	2%	1%	6%
Limiting long term illness/ disability	14%	**18%**	**29%**	15%	15%
TOTAL NATION SPLIT	**84%**	**8%**	**5%**	**3%**	**100%**

[1] Source: Census 2001, Office of National Statistics and Ofcom data

Older people, those with a disability and those in low income households

1.8 Three groups of interest covered by the survey overlap to a significant extent: older people, those in low income households, and those with a limiting long-term illness or disability. This is demonstrated in Figure 2 below which shows that the majority of older people aged 65 or over are either in low income households or are people with a disability.

Figure 2. Relationship between three groups of interest covered by the survey[2]



1.10 This strong relationship means that findings which appear to relate to those with a disability and/ or those in low income households may actually relate to **older people** within these groups rather than the groups as a whole. In order to disentangle this relationship, we have focused our attention on those in low income households who are aged under 65 and those with a limiting long-term illness or disability who are aged under 65. Findings from the interviews conducted with all older people aged 65 or over are also detailed in this report.

Residential consumers from minority ethnic groups

1.11 In order to interview a representative sample of residential consumers from minority ethnic groups it would be necessary to overcome any potential linguistic barriers through using multi-lingual interviewers. The interviewers would be given a set quota of interviews to conduct with adults from each of the minority ethnic populations across the UK. This approach was not taken on this survey in order to carry out as many interviews as possible across the four nations with residential consumers in the groups of interest to the Consumer Panel. For this survey all interviews were conducted in English and respondents interviewed from ethnic minorities tended to be younger on average; at 32 years compared to 43 years across the whole sample. The interviewed sample of residential consumers from ethnic minorities is therefore not a representative sample of all residential consumers from ethnic minorities.

[2] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

SME survey sampling

1.12 A total of 300 interviews were conducted with owners and managers of SMEs by telephone. A sample of small businesses sourced from Dun & Bradstreet was supplemented by contacts taken from classified advertisements in local newspapers across the UK. This supplementary sample served to reach those SMEs without separate business premises.

1.13 Quotas were set to achieve a certain number of interviews with SMEs in each of three size categories as defined by the number of employees:

- 1 employee – sole trader (150 interviews achieved)
- 2-5 employees (80 interviews achieved)
- 6-10 employees (70 interviews achieved)

1.14 All data reported in this document has been weighted to match the actual profile of SMEs by business size according to figures published by the Department of Trade and Industry. The profile of the SMEs covered by the survey for the UK as a whole and for each of the three size categories is shown in Figure 3.

1.15 The table shows in **bold** where incidences for a particular SME size category vary significantly from the profile of the UK as a whole. The final row of the table shows the extent to which each of the three SME size categories contribute to the overall UK SME population. This information has been included in order to illustrate that the findings for sole traders (those with one employee) will always be close to the findings for SMEs as a whole due to the relative number of businesses of this size.

Figure 3. Profile of SMEs by size (number of employees)[3]

	1/ Sole trader (150)	2-5 employees (80)	6-10 employees (70)	TOTAL (300)
Have separate business premises	46%	**83%**	**87%**	55%
Business trading for up to 5 years	**37%**	28%	20%	34%
Wholesale/ retail sector	35%	**61%**	40%	40%
Services sector	25%	**35%**	**35%**	27%
Construction/ building sector	**25%**	1%	7%	19%
Manufacturing sector	7%	3%	**11%**	7%
Turnover up to £100k	**91%**	42%	15%	77%
TOTAL SPLIT	**75%**	**20%**	**5%**	**100%**

[3] Base: All respondents (300 SMEs) Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base.
UK 'total split' profile sourced from Department of Trade and Industry October 2004

Margin of error and statistical significance – residential consumers

1.16 Throughout this report we seek to answer the research objectives detailed earlier for the UK as a whole, the four UK nations, and each of the groups whose interests the Consumer Panel represents. Because the survey of residential consumers was conducted amongst a sample of people aged 15 and over rather than the whole UK population, the data may be subject to a small margin of error. The error margin for each of the groups of residential consumers covered by the survey is illustrated in the following table. Error margins rise amongst smaller sub-groups. Results referred to as 'significantly' different, have been tested at the 95% level of confidence. Unweighted base sizes are shown throughout this report to illustrate the number of respondents interviewed.

	All UK	**England**	**Scotland**	**Wales**	**Northern Ireland**
Sample size	2519	1398	426	352	343
Error margin 95% confidence (+/-)	2%	3%	5%	6%	6%

	Rural	**Dense urban**	**Low income aged under 65**	**People with a disability aged under 65**	**Older people aged 65 plus**	**English speaking ethnic minorities**
Sample size	398	687	670	255	461	331
Error margin 95% confidence (+/-)	5%	4%	4%	6%	5%	6%

Margin of error and statistical significance - SMEs

1.17 Throughout this report we seek to answer the research objectives detailed earlier for the UK as a whole, and (where possible) for each of the three SME size categories. Because the survey of SMEs was conducted amongst a sample of businesses with 1 to 10 employees rather than the whole UK SME population, the data may be subject to a small margin of error. The error margin for each of the three size categories is illustrated in the table below. Error margins rise amongst the smaller sub-groups. Results referred to as 'significantly' different, have been tested at the 95% level of confidence. Unweighted base sizes are shown throughout this report to illustrate the number of respondents interviewed.

	All SMEs	**Sole trader**	**2-5 employees**	**6-10 employees**
Sample size	300	150	80	70
Error margin 95% confidence (+/-)	6%	8%	11%	12%

Executive summary – residential consumers

2.1 Consumer knowledge of broadband and digital TV is relatively high; with a majority of residential consumers both aware of and able to correctly describe these terms. However, whilst a majority of residential consumers have heard of digital radio fewer than half understand what this term refers to. Knowledge of 3G is particularly low; with three in four residential consumers unaware of this term. Levels of awareness and understanding directly relate to the age of the consumer, with significantly lower levels for those aged 55 and over and higher for younger consumers.

2.2 Age is also the most significant factor in keeping informed about developments in communications services. Just one in five people aged over 65 keep themselves informed, compared to two-thirds of those aged under 35. Older people are also the least likely to know of somewhere to turn for advice or information on communications services.

2.3 93% of residential consumers have access to a landline at home, 79% have a mobile phone they use personally, 58% have access to the internet at home, and 57% have digital TV at home.

2.4 By nation there are significantly lower levels of ownership in Scotland for landline, in Wales for mobile phone and internet, and in Northern Ireland for digital TV. Wales, however, has significantly higher levels of ownership for digital TV.

2.5 'Involuntary exclusion' has been defined as those who do not have access, do not intend to get access, and who have not made this decision through choice; instead citing reasons relating to affordability or lack of coverage. Few are involuntarily excluded from having a landline or a mobile phone. Involuntary exclusion from internet access at home stands at 7% across all UK residential consumers, and relates to affordability. Involuntary exclusion from digital TV at home stands at 14% across all UK residential consumers, and mostly relates to affordability with some lack of understanding of the technology and lack of access.

2.6 The most significant levels of involuntary exclusion apply to those living in low income households (at under £11,500 per year), with levels more than double the overall UK rate for landlines, internet and digital TV.

2.7 Levels of dissatisfaction with the service received regarding landlines, mobile phones, internet and digital TV access are low. Satisfaction with three aspects of service were assessed: ease of understanding bills from the supplier, the supplier making sure the consumer is on the best of their deals, and the overall service provided by the supplier. For each of the services covered by the survey (landline, mobile phone, internet and digital TV), levels of dissatisfaction were highest for the supplier making sure the consumer is on the best of their deals. Amongst those who have each of the services the levels of dissatisfaction for this aspect are 9% for landline, 10% for mobile phone, 4% for

internet and 7% for digital TV. Dissatisfied customers and those with any concerns about the service they receive are more likely to be those who keep themselves informed, and who have experience of ever switching suppliers for the home communications services they receive. These more experienced consumers are more likely to be working, 'middle aged', and from more affluent households.

2.8 One in five residential consumers understand the term 'digital switchover'. Understanding is significantly lower in Scotland and Northern Ireland, as well as amongst older people and those in low income households.

2.9 Positive attitudes towards digital switchover exceed negative attitudes: at 39% compared to 25% across all residential consumers. However, the low levels of understanding of digital switchover mean that many residential consumers do not know enough to have an opinion. It does appear that understanding digital switchover increases positive perceptions.

Executive summary – SMEs

2.10 Whilst the majority of SMEs are aware of and understand the term 'broadband', understanding of the terms '3G, 'Wi-Fi' and 'VoIP' is negligible, with the majority of SMEs unaware of these terms.

2.11 Fewer than half of all SMEs keep themselves informed about developments regarding business communications services. Whilst keeping informed is more common amongst the largest SMEs (with 6-10 employees) it is true of just half in this size category.

2.12 Those SMEs least likely to keep informed typically only have a landline for their business, with no business mobile phones and no internet access. One in three SMEs who do not keep themselves informed could not recall any sources of information on communications services. On-line sources of advice and information are more commonly recalled by those SMEs who do keep themselves informed.

2.13 94% of SMEs use a landline for their business, 41% have any mobile phones owned by or with bills paid in full by the business, and 47% have internet access. Access to the internet applies to two-thirds of the largest SMEs.

2.14 Levels of dissatisfaction with the service received regarding landlines, mobile phones, internet and digital TV access are relatively low. Dissatisfied customers and those with any concerns about the service they receive are more likely to be those who keep themselves informed, and who have experience of ever switching suppliers for the business communications services they receive. These more experienced consumers are more likely to be in the largest SMEs.

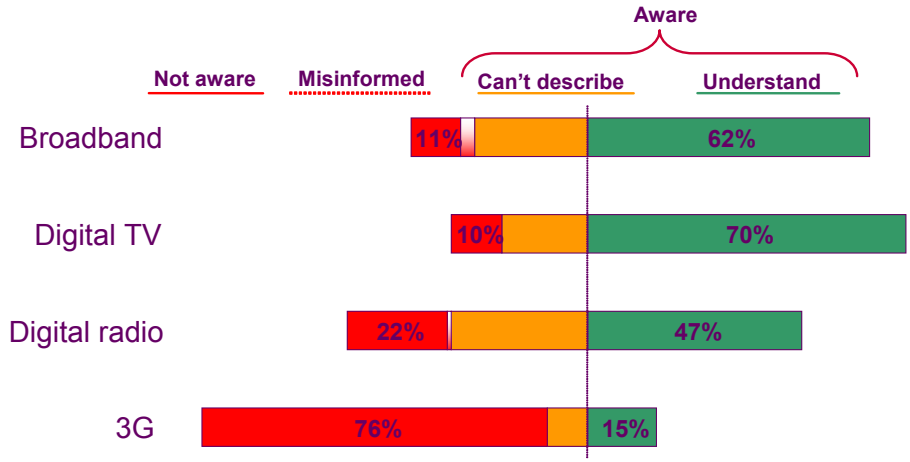
Section 3

Is there a consumer knowledge gap?

3.1 The residential consumers interviewed for this study were asked to look at a card which showed the names of four communications services terms, and then say which of these they had heard of. For each of the four terms consumers said they had heard of, they were then asked if they could describe to a friend what it meant, and how they would describe it to them.

3.2 Whilst most residential consumers have heard of the terms broadband, digital TV and digital radio, at best around two-thirds **understand** these terms through being able to give a good description of what the term means. For 3G, however, fewer than one in five understand this term, with almost all of the remainder never having heard of the term. Figure 4 below categorises responses for each of the four terms relating to communications services covered by the survey. The sections shown in green to the right of the vertical line indicate those who understand the term through being able to provide a good description. Those shown in amber immediately to the left of the vertical line are aware of the term but (mostly) don't know what it means or (rarely) provide a poor description. The shaded red section indicates the very small proportions of consumers who have heard of the term but provide an incorrect description. Finally, the solid red section to the far left indicates those who have never heard the term in question.

Figure 4. Awareness and understanding of communication services terms[4]



3.3 Examples of responses from those who have heard of but can't describe the communications terms are 'Computers', 'Telephone', 'Signal', and 'Expensive'. These responses are not incorrect, but they have not been backed-up by any responses demonstrating a better understanding. Very few give misinformed or incorrect descriptions, with this being more common for broadband than the other terms: mostly along the lines of 'Access a broader range of/ more websites'.

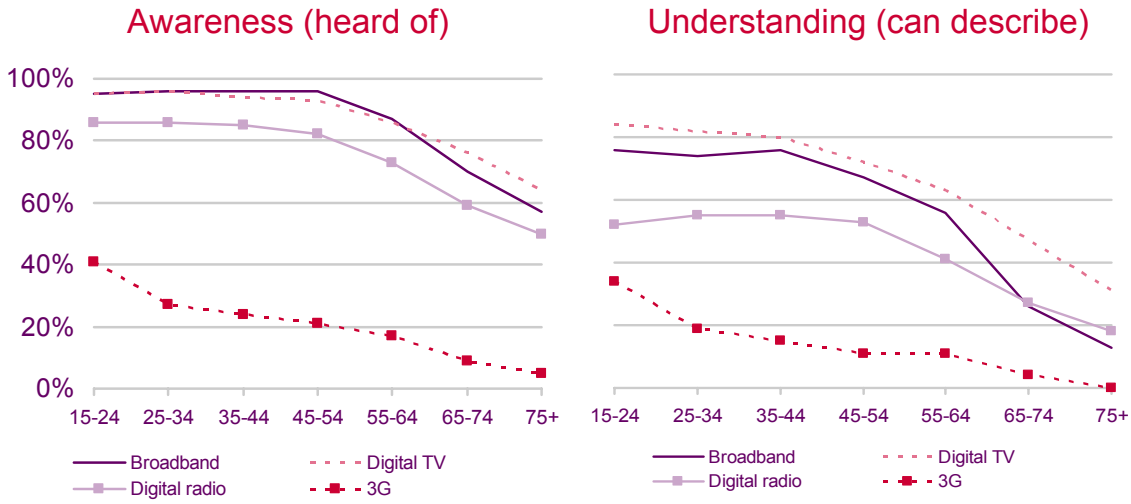
3.4 It is clear that consumer knowledge varies considerably across the four terms, and that consumer knowledge of these terms is some way from being complete. In order to understand more about the gap in understanding we need

[4] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

to assess how awareness and understanding varies across the different groups of consumers whose interests the Consumer Panel represents.

3.5 Figure 5 compares awareness (heard of the term) and understanding (can describe the term) across consumers in each of seven age categories. Both charts within figure 5 are based on all residential consumers interviewed for the study.

Figure 5. Awareness and understanding of communications services terms by age[5]



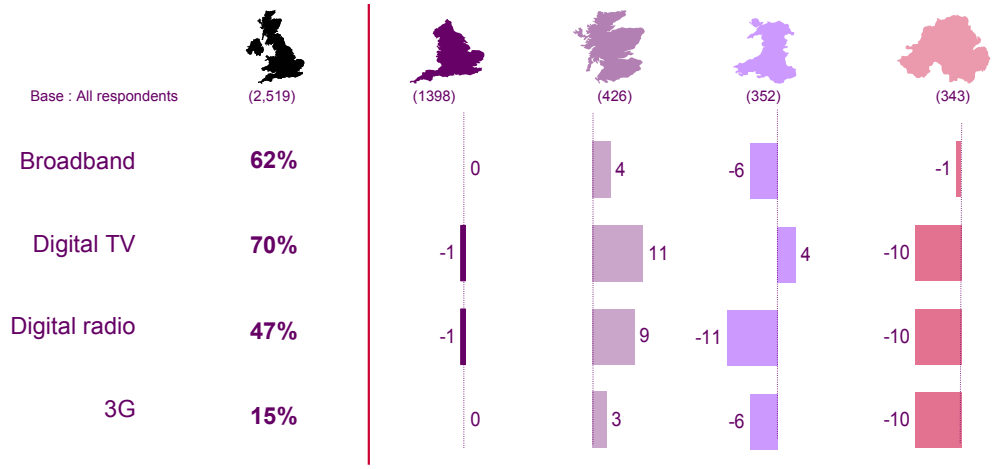
3.6 For each of broadband, digital TV and digital radio it is clear that **awareness** of these terms drops noticeably for those aged 55 and over, and continues to drop for each subsequent age category. Awareness of 3G shows a steadier decline across the age categories, with the most significant drop immediately following the measure for the youngest age category of 15 to 24 year olds.

3.7 The chart on the right in Figure 5 shows the proportion of all residential consumers who **understand** each term through having heard of the term and being able to give a good description. For broadband there is a noticeable drop in understanding for those aged 45 or over, with the gap between understanding of broadband and understanding of digital TV becoming more marked for those aged 65 or over. By definition, each of the terms can only be understood by those who have heard of the term.

3.8 Whilst we can look at variations in awareness and understanding as a continuum when making comparisons across different age groups, another approach is necessary when making comparisons by nation and by the groups of interest to the Consumer Panel. To clearly identify where knowledge gaps exist Figure 6 details **relative** levels of understanding for each of the four terms across each of the four nations.

[5] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

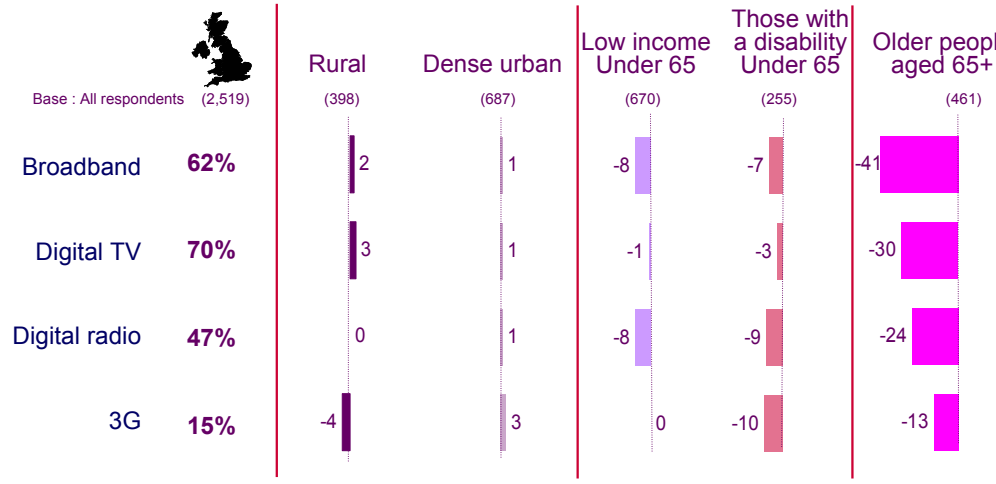
Figure 6. Understanding of communications services terms by nation[6]



3.9 Thus, for example, 62% of consumers across the UK and in England understand the term broadband, for Scotland the measure is 66%, 56% in Wales and 61% in Northern Ireland. As mentioned earlier, findings for England will always be close to the findings for the UK as a whole due to the size of the population of England relative to the other three nations.

3.10 There are significantly lower levels of understanding in Wales and Northern Ireland, with the exception of digital TV (in Wales) and broadband (in Northern Ireland). Scotland, however, sees significantly higher levels of understanding of digital TV and digital radio.

Figure 7. Understanding of communications services terms by groups of interest[7]



3.11 Figure 7 above shows that location (in terms of living in either rural or dense urban areas) does not have a significant impact on understanding of communications terms. Understanding of both broadband and digital radio is at a significantly lower level for those aged under 65 in low income households or with a disability, and those with a disability are also significantly less likely to

[6] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

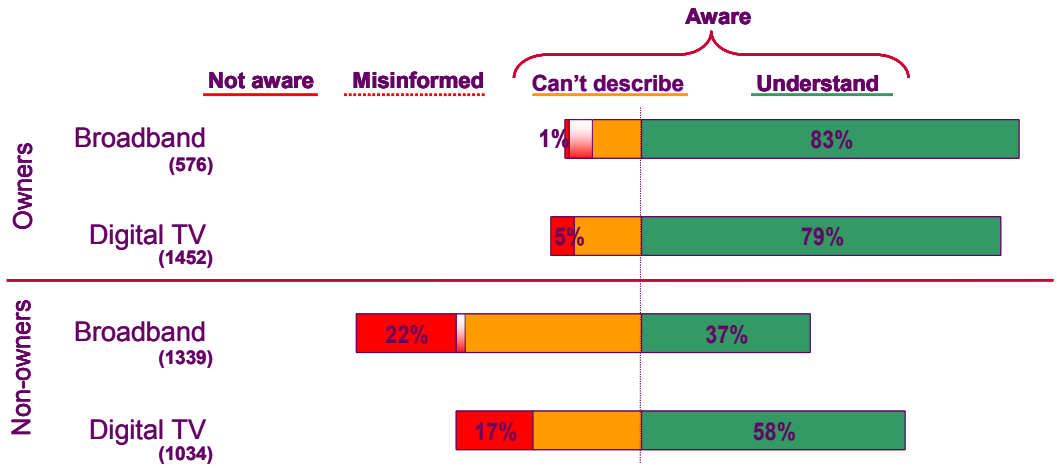
[7] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

understand 3G. For both of these groups of interest aged under 65 levels of **awareness** are closer to the UK average, and so the issue is clearly one of understanding rather than having heard of the communications terms concerned. It is clear that across each of the groups of interest to the Consumer Panel, older people have the lowest levels of understanding for each of the communications terms.

The impact of ownership on understanding

3.12 The Consumer Panel survey of residential consumers can identify those who live in households with broadband and/ or with digital TV. Figure 8 below compares awareness and understanding of these two communications terms amongst owners and non-owners.

Figure 8. Understanding of communications services terms by ownership[8]



3.13 The knowledge gap between owners and non-owners is greater for broadband than for digital TV: with two in five non-owners able to describe what broadband is, compared to three in five non-owners of digital TV. For both terms around one in five non-owners are not aware of the technologies.

Summary – Is there a consumer knowledge gap?

3.14 Whilst broadband and digital TV have reasonable levels of understanding, digital radio and 3G are **not understood** by the majority of consumers. Furthermore, the majority of consumers have not heard of 3G as a term relating to communications services. There is, however, very little evidence of misunderstanding across the communications services covered by the survey.

3.15 There is a linear relationship between age and knowledge; with a noticeable decline in awareness at age 55 and over and a decline in understanding at age 45 and over, for some technologies. Most technology terms see lower levels of understanding amongst consumers in Wales and Northern Ireland, those with a disability and those in low income households.

3.16 Residential consumers from minority ethnic groups are less likely to have knowledge of digital radio, but considerably more likely to have knowledge of

[8] Base: Adults with and without access to each service at home. Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

3G as a technology. As seen earlier, younger people are the most likely to understand 3G, and so age is possibly a factor here.

Is there a consumer information gap?

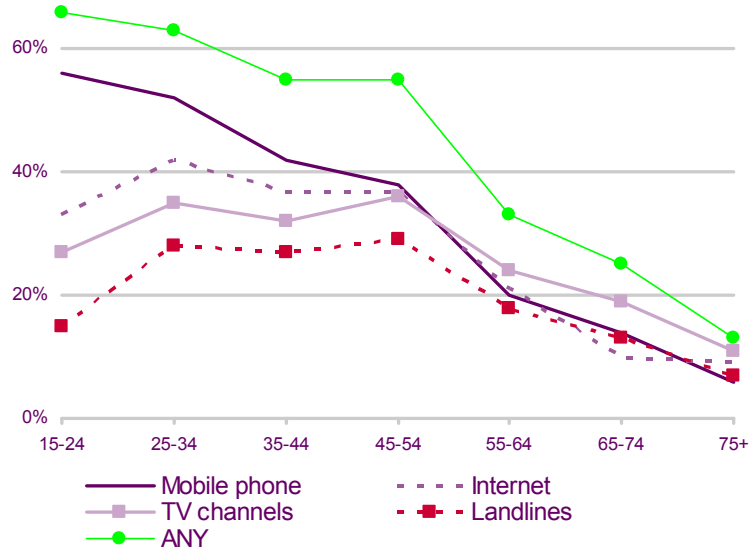
Keeping informed

4.1 Half of all consumers claim to keep themselves informed about new developments for any of the following:

- Mobile phone technology, services and suppliers
- Ways of connecting to the internet
- Ways of receiving TV channels
- Different options and suppliers for making calls from your landline at home

4.2 Across these four communications services covered in the survey, consumers are most likely to keep themselves informed about mobile phones (37% of all consumers), and least likely to keep themselves informed about options for making calls from their home landline (21% of all consumers). Keeping informed varies considerably in terms of both the type of communications service and also the age of the consumer. This is illustrated in Figure 9, which shows the incidence of those who keep themselves informed about each of the four communications services and (in green) any of these services, for each of seven age categories of consumers.

Figure 9. Keeping informed about communications services developments by age[9]



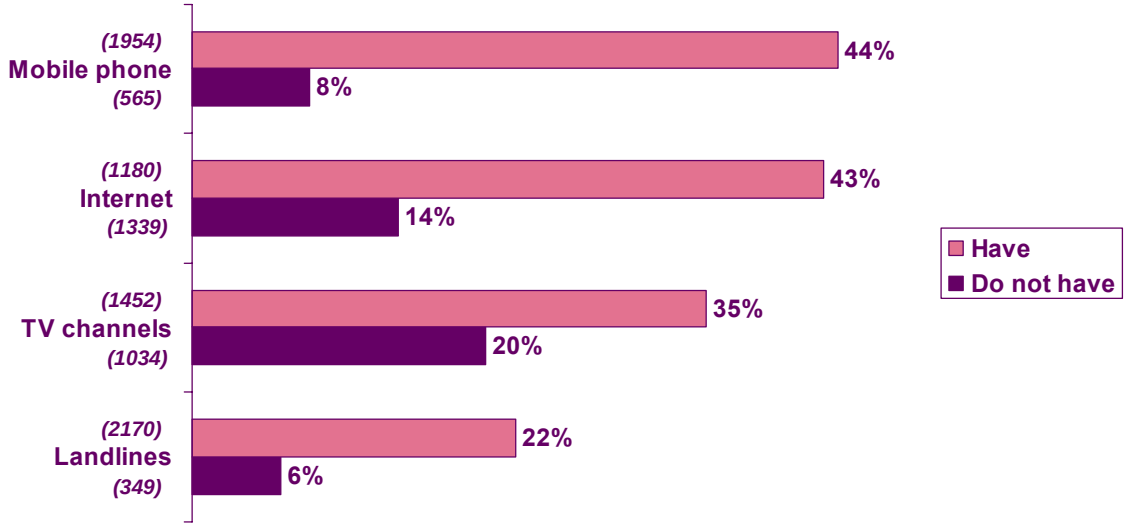
4.3 It is clear that keeping informed of developments regarding mobile phones and the age of the consumer are directly related; with this measure dropping with each subsequent age category. For the other three technologies, keeping informed is most common amongst 25-54 year olds and then starts a downward trend. Of the four communications services, mobile phones are of most interest

[9] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

to those aged under 55, but ways of receiving TV channels takes over as being of most interest for those aged 55 and over.

4.4 Figure 10 below shows the impact of ownership of each type of communications service on keeping up with developments. It is clear for each of the four services that those who have access to the service are more likely to keep themselves informed about developments for that type of communications technology; with this shown most strongly for mobile phone technology. The gap between those with and without access is less marked, though still significant, for keeping in touch with ways of receiving TV channels; which holds more interest for non-owners of digital TV than the other three communications services.

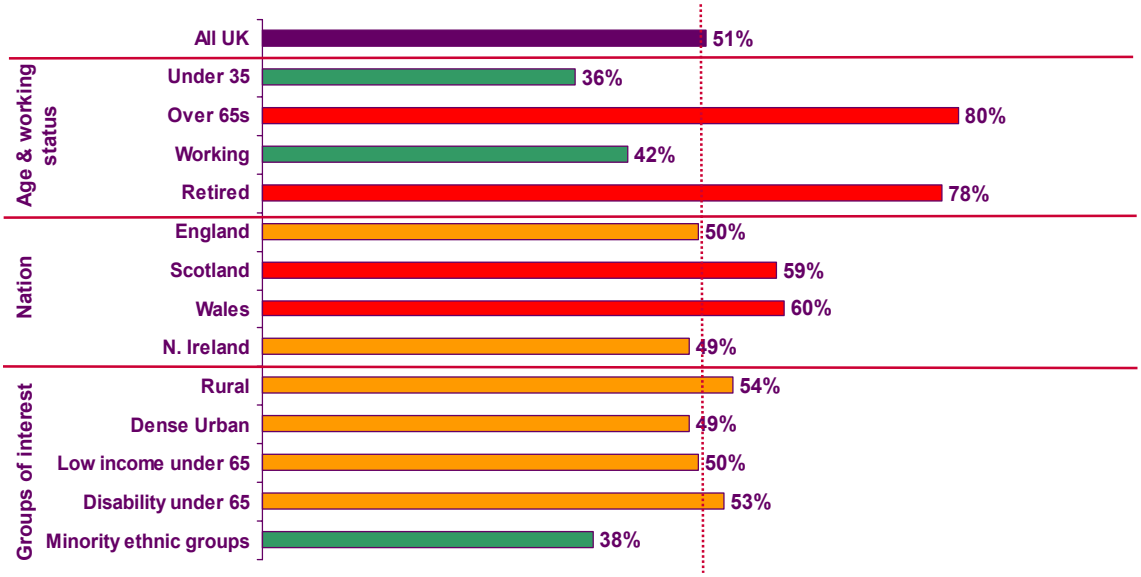
Figure 10. Keeping informed about communications services developments by ownership of each type of service[10]



4.5 Age is the most significant factor in keeping informed about developments in communications services, and Figure 11 shows the incidence of those consumers who **do not** keep informed. Those shown in **red** are significantly **less** informed and those shown in **green** are significantly **more** informed compared to all UK adults. Amber bars indicate no significant difference from the overall measure for UK consumers.

[10] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

Figure 11. Those who do not keep themselves informed about developments in communications services[11]



4.6 For the groups of interest represented by the Consumer Panel there is little variation from the measure for all UK consumers. However, older people aged 65 and over and those living in Scotland and Wales are significantly less likely to keep informed. Figure 11 also shows responses for those who are working and those who are retired. Whilst those who are working are significantly **more** likely to keep informed, those who are retired are significantly **less** likely.

Sources of information

4.7 The most popular top of mind source of information for UK consumers is friends and family members; around two in five would turn here first for advice or information on any communications services. This is followed by service suppliers or stores selling the services; with one in five turning to these sources first. Around one in seven consumers would turn to on-line information or media sources, but this is considerably more common amongst those who keep themselves informed. Whilst a majority of those who would look on-line refer to 'browsing' for information and do not specify a particular source, close to half of those who would look on-line mention websites of suppliers or service providers. For those who do not keep informed, a significant minority (around one in five) could **not recall any** sources of information on communications services and so would not know where to turn for advice. This does not vary significantly for the groups of interest covered by the survey other than older people aged 65 or over; amongst whom around one in three have no sources of information.

Summary – Is there a consumer knowledge gap?

4.8 Age is the most significant factor in measuring the consumer knowledge gap. Just one in five consumers aged 65 or over keep informed about developments in communications services. Similarly, one in three in this age group said they have nowhere to turn for advice or information on these services. The relative

[11] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

isolation of older people is backed up by the finding that those who are working are more than twice as likely to keep informed as those who are retired.

Ownership and experience amongst residential consumers

Levels of ownership, 'voluntary' and 'involuntary' exclusion

5.1 The survey addressed the issue of 'involuntary exclusion' amongst UK consumers through assessing the reasons given for not having access to four types of communications technology:

- Landline (in household)
- Mobile phone (used personally)
- Internet access (in household)
- Digital TV (in household)

5.2 Involuntary exclusion has been defined as those who do not have access, do not intend to get access **and** have **not** made this decision through choice. By contrast, those who do not intend to get access because they don't want or don't need the technology in question have been defined as '**voluntarily excluded'**. Those who do not intend to get access because of affordability or lack of coverage in their area have been defined as '**involuntarily excluded'**.

5.3 Figure 12 illustrates levels of ownership (through having each technology) across all UK consumers for each of the four technologies, followed by levels of voluntary and involuntary exclusion.

Figure 12. Ownership and exclusion levels for home communications technology[12]

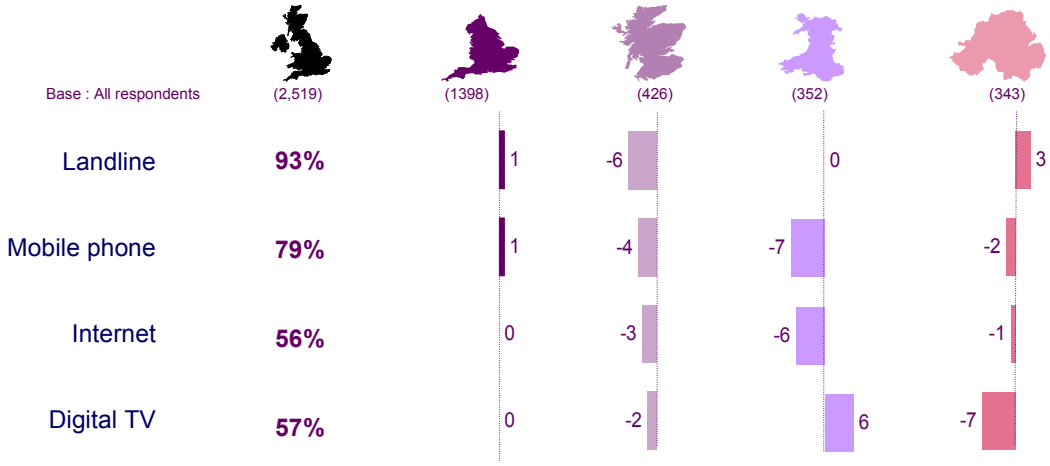
	Landline	Mobile phone	Internet	Digital TV
Have already	93%	79%	56%	57%
Intend to get	2%	2%	8%	6%
Voluntarily excluded				
No need/ don't want	3%	15%	28%	23%
Involuntarily excluded				
Costs/ Affordability	2%	3%	7%	11%
Other reasons	-	2%	-	3%

5.4 Levels of involuntary exclusion vary considerably by the four technologies; partly due to different levels of ownership, but also differences in the degree to which those who don't have the technology also don't want or don't feel they have a need for that technology. Digital TV sees the highest level of involuntary exclusion: at one in seven UK consumers, with affordability being the key reason for this, with the other main reason being lack of coverage. For internet access at home, the incidence of involuntary exclusion is half that for digital TV; at one in fourteen UK consumers, with affordability being the primary reason.

[12] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

5.5 To understand more about involuntary exclusion we first need to understand more about current levels of ownership and how this varies by the different groups represented by the Consumer Panel. With the exception of landlines at home, older people aged 65 and over are significantly less likely to own communications technology at home. Figure 13 shows **relative** levels of access in each of the nations compared to the UK as a whole. The proportions in figure 13 show adults who live in a household which has a landline, access to the internet, or digital TV, and also the proportion of adults who personally use a mobile phone.

Figure 13. Ownership of communications services by nation[13]

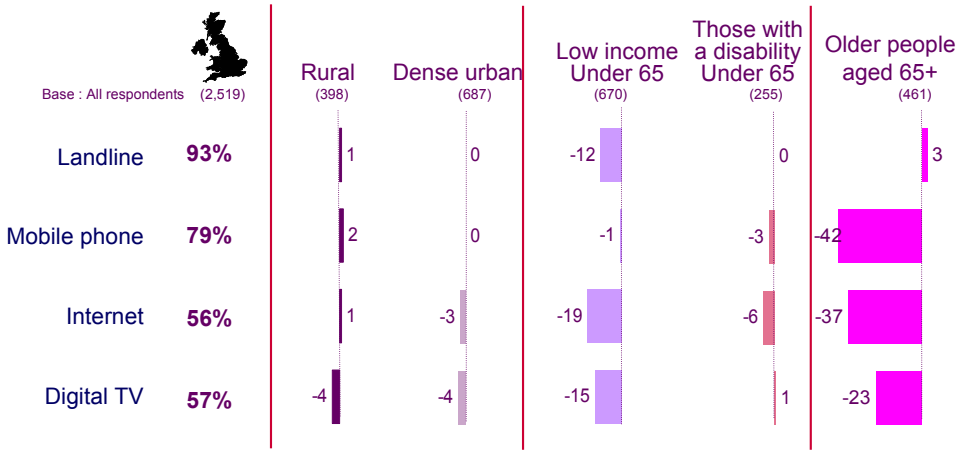


5.6 Significant differences in access by nation can be seen for Scotland with lower landline ownership, for Wales with lower mobile phone and internet ownership, and Northern Ireland with lower digital TV ownership. In addition, for Wales there is significantly higher digital TV ownership; which is likely to be linked to poorer terrestrial reception in certain parts of the nation.

5.7 Figure 14 shows relative ownership levels for each of the groups of interest to the Consumer Panel compared to the UK as a whole. The two groups which stand out in terms of significantly lower ownership levels are those in low income households aged under 65 (except for mobile phones), and older people aged 65 and over (except for landlines).

[13] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

Figure 14. Ownership of communications services by groups of interest[14]



5.8 As shown in Figure 14, mobile phone ownership amongst those in low income households does not differ significantly from the UK average. Further analysis shows that one in six in a low income household **only** has their mobile phone and do not have a landline at home. This is four times more common amongst this group (at 16%) than for those in households with higher annual incomes of £11,500 or above.

5.9 This higher dependence on mobile telephony for those in low income households is of concern given that this group are the most likely to use the pay as you go/ prepaid option rather than monthly contracts for their mobile phones. This payment method can be less cost effective than a monthly contract when the phone is used more heavily The most common reason given by all consumers using pay as you go to pay for calls made using their mobile phone is that this is to manage or control how much they spend. This response is more common still amongst pay as you go users in low income households; at 56% compared to 46% of all using this payment method.

5.10 Given that the affordability of home communications technology is the most common reason for involuntary exclusion, it is not surprising that those in low income households see the highest levels of involuntary exclusion – particularly for internet and digital TV access at home. For this particular group, around one in four are involuntarily excluded from these services.

Access to the internet from home

5.11 As shown in Figure 14, the survey found that 56% of UK adults have access to the internet from home. Across the UK, 63% of adults have a PC or laptop at home; and so the gap between PC/ laptop access and internet access at home is currently 7%. Around one in ten (9%) UK adults access the internet from elsewhere but do not have access from home. This is more common amongst those in low income households, those in dense urban areas, younger adults (aged under 35), and in particular those who do not have a landline at home. Amongst those who are involuntarily excluded from internet access at home,

[14] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

the proportion who access the internet from elsewhere is much higher than for UK adults as a whole; at 27%.

5.12 Whilst 56% of UK adults have access to the internet from home, 21% of UK adults say they have **broadband** access to the internet from home; equating to just over one in three of all adults with internet access from home. Figure 14 shows that those living in rural areas do not differ significantly from the measure for the UK as a whole in terms of having the internet at home. In terms of broadband access, however, the measure for those in rural areas is 10% **below** the UK average; at 11% compared to 21%.

5.13 Across all those who have dial-up access to the internet from home (rather than broadband access), one in three don't know if they can receive broadband in their area.

5.14 Of those with dial-up access, two in five state that having broadband access would be a benefit to them. An additional one in five, however, are unsure as to whether there would be a benefit, with the remaining two in five not seeing a benefit of broadband access.

Spend on home communications

5.15 Those with access to each of the four types of home communications technology were asked to **estimate** how much they pay per quarter for their landline phone (including line rental, calls, any equipment rental and VAT) and per month for their mobile phone, internet access, and multi-channel TV (excluding those only using Freeview for their TV service and those who only receive terrestrial TV). Figure 15 shows the average **monthly** spend amongst those who have access to each of the home communications technologies, overall and by nation. Figure 16 shows the average monthly spend amongst those who have access to each of the home communications technologies by each of the groups of interest to the Consumer Panel. For both figures 15 and 16 estimates of average monthly spend have been rounded up to the nearest pound.

Figure 15. Self reported average monthly spend on home communications by nation[15]

	All UK	England	Scotland	Wales	Northern Ireland
Base	*2170*	*1234*	*327*	*303*	*306*
Landline per month	£19	£19	£19	£20	£28
Base	*1954*	*1120*	*317*	*265*	*252*
Mobile phone per month	£23	£23	£21	£23	£28
Base	*1180*	*688*	*192*	*148*	*152*
Internet access per month	£11	£11	£12	£9	£8
Base	*1285*	*713*	*180*	*219*	*173*
Multi-channel TV per month	£23	£23	£20	£22	£23

[15] Base: All with access to each type of home communications technology, self reported spend. Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

Figure 16. Self reported average monthly spend on home communications by groups of interest[16]

	All UK	Rural	Dense urban	Low income aged under 65	People with a disability aged under 65	Older people aged 65 and over
Base	*2170*	*345*	*583*	*469*	*213*	*432*
Landline per month	£19	£18	£20	£17	£23	£17
Base	*1954*	*308*	*545*	*527*	*186*	*170*
Mobile phone per month	£23	£20	£26	£22	£19	£10
Base	*1180*	*189*	*320*	*210*	*105*	*66*
Internet access per month	£11	£9	£13	£10	£9	£5
Base	*1285*	*162*	*322*	*285*	*133*	*140*
Multi-channel TV per month	£23	£26	£24	£21	£25	£18

Difficulties using home communications technology

5.16 In order to assess levels of difficulty using the four types of home communications technology covered by the study, lists of possible difficulties for each type of technology were presented during the interview. Respondents were asked to indicate which, if any, of these difficulties applied to them and whether they experienced any other difficulties using the technology in question.

5.17 Figure 17 shows the headline figures for any reported difficulties using landline phones, mobile phones, personal computers/ PC's, and televisions; shown in ranked order. As well as the incidence for all UK adults (shown in the first column of figures), the respective incidences for some of the groups of interest to the Consumer Panel have also been shown. The final two columns compare reported difficulties for those who currently have or do not have the technology in question. For difficulties with using PC's we have shown those who have or do not have internet access at home. For difficulties with using televisions we have shown those who have or do not have digital TV at home. These final columns will give us an indication of whether the reported difficulties are impacting ownership for each of the home communications technologies.

[16] Base: All with access to each type of home communications technology, self reported spend. Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

Figure 17. Incidence of experiencing any difficulties using home communications technology[17]

	All UK adults	People with a disability	People with a disability aged under 65	Older people aged 65 plus	Older people aged 75 plus	Have access	Do not have access
Sample size	*2519*	*488*	*255*	*461*	*180*	*[18]*	*[19]*
Any difficulties using mobile phone	12%	**23%**	**26%**	**16%**	**17%**	12%	11%
Any difficulties using landline	7%	**19%**	**16%**	**14%**	**22%**	7%	2%
Any difficulties using a PC	5%	**17%**	**16%**	**10%**	**11%**	3%	7%
Any difficulties using TV	4%	**14%**	**11%**	**10%**	**13%**	4%	4%

5.18 Just over one in ten UK adults report experiencing any difficulties using a mobile phone; rising to one in four of those with a disability. The most common difficulties experienced relate to handling the mobile phone and consequent difficulties writing text messages (5% of all UK adults reporting this difficulty) or navigating the phone's menu system to use the different features (4%). No other difficulties were reported by more than 2% of all UK adults. Amongst those with a disability, other difficulties reported by at least 3% relate to pressing the buttons on the phone or holding the phone, being able to see the digital display or the numbers used to dial, and hearing the phone ring or the person on the other end of the phone. Difficulties do not vary significantly between mobile phone owners and non-owners.

5.19 One in fourteen UK adults experience any difficulties using a landline phone; rising to one in five of those with a disability and older people aged 75 and over. Two difficulties are reported by at least 2% of all UK adults: hearing the person on the other end of the phone (3%) and hearing the phone ring (2%). These are also the most common difficulties for those with a disability and older people. A third difficulty, reported by 5% of all those with a disability, relates to picking up the handset when the phone rings. The very low reported incidence of difficulties using a landline amongst those who do not have a landline is due to the finding that most of those in households without a landline are in younger age groups and have substituted a landline with their mobile phone.

5.20 One in twenty UK adults experience any difficulties using a PC; rising to one in six of those with a disability and one in ten older people aged 65 and over. Four

[17] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base
[18] Base: 2170 have landline at home, 1954 have mobile phone, 1180 have internet access at home, 1452 have digital TV at home
[19] Base: 349 do not have landline at home, 565 do not have mobile phone, 1339 do not have internet access at home, 1034 do not have digital TV at home

difficulties are reported by at least 2% of all UK adults: using the mouse (3%), using the keyboard (3%), reading the monitor display (3%), and seeing the letters and symbols on the keyboard (2%). These are also the most common difficulties for those with a disability and older people, with no other difficulties nominated by at least 2% from these groups. Difficulties using a PC are higher amongst those who do not have internet access at home, which we have seen to be lower amongst older people, but not significantly lower amongst those with a disability who are aged under 65.

5.21 One in twenty UK adults experience any difficulties using a television; rising to one in seven of those with a disability and one in ten older people aged 65 and over. No single difficulty is nominated by at least 2% of all UK adults. For those with a disability the most commonly reported difficulties relate to seeing the buttons on the remote control (5%), hearing the television at a volume other people find acceptable (5%), and pressing the buttons on the remote control (4%). Difficulties do not vary significantly between those in households which have and do not have access to digital TV.

Experience of supplier service – satisfaction, concerns and worries

5.22 Levels of satisfaction with the service provided by communications service suppliers are relatively high amongst those with landlines, mobile phones, internet and digital TV access. In terms of the overall service provided, dissatisfied customers account for no more than one in twenty users across the UK, and fewer still are dissatisfied in terms of understanding bills from their supplier. The aspect of service covered by the survey which found higher levels of dissatisfaction (though still accounting for a relatively small proportion of customers) is 'Your supplier making sure you are on the best of their deals for you'.

5.23 Figure 18 shows the measures of satisfaction (green) and dissatisfaction (red) for each aspect covered by the survey and for each type of technology consumers had access to at home. Please note that those neither satisfied nor dissatisfied with each aspect are not included in this table, and so figures may not add to 100%.

Figure 18. Levels of satisfaction and dissatisfaction with suppliers[20]

	Landline (2170)	Mobile phone (1954)	Internet (1180)	Digital TV (1285)
Understanding bills	74% satisfied 3% dissatisfied	81% 4%	63% 1%	65% 1%
Making sure you're on best of their deals	57% 9%	56% 10%	57% 4%	57% 7%
Overall service provided	70% 4%	74% 5%	71% 2%	72% 5%
ANY DISSATISFACTION	12%	13%	6%	10%

5.24 The final row shown in figure 18 summaries where **any** dissatisfaction was reported by consumers of each type of service, and shows that dissatisfaction is lowest for the home internet service. We also see, however, that satisfaction levels for this service are no higher than for the other home technologies. These more neutral attitudes towards the service received may be linked to the lower monthly self-reported spend for internet access compared to the other services, as shown in figure 15 previously. The **type** of internet access (either broadband or dial-up) has no impact on levels of **dissatisfaction** amongst users. Those who have dial-up access, however, are more likely to have neutral attitudes towards the service they receive, and so levels of **satisfaction** are higher for those with broadband access.

5.25 Across each of the home communications services there is a clear trend when identifying dissatisfied customers: they tend to be those who are spending more on the service, are more likely to keep themselves informed of developments in communications technology, and are more likely to have ever switched to a different supplier for the service concerned. In terms of their demographics they are more likely to be working, 'middle aged' (at between 35-54 years of age), and of the social grade category ABC1. They are also more likely than average to have access to banking and their own transport.

5.26 This group of consumers are also more likely to have concerns or worries about the services they use, compared to consumers as a whole. The service which sees the highest level of concerns or worries amongst users is home internet access; at one-third of users. Whereas costs are the most common concern for fixed and mobile telephony and digital TV, the key concerns regarding the home internet service relate to security and control. Figure 19 summarises overall levels of concerns or worries amongst users and also details the **key** concerns nominated for each.

[20] Base: Those with access to each service at home. Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base.

Figure 19. Concerns or worries for those with access to each service at home[21]

Landline

- 23% have any concerns or worries
  - 16% costs
  - 4% privacy (unsolicited calls)

Mobile phone

- 27% have any concerns or worries
  - 17% costs
  - 5% choice/ access/ coverage
  - 5% health

Internet

- 33% have any concerns or worries
  - 23% spam/ pop-ups/ virus/ control
  - 10% security
  - 5% speed of connection
  - 3% costs

Digital TV

- 16% have any concerns or worries
  - 7% costs
  - 5% content/ programming
  - 4% choice/ access

Experience of supplier service – use of other service providers

5.27 Whilst a minority of UK adults have ever changed the supplier used for communications services at home, this is most common for mobile phone users. One in three mobile phone users (34%) have ever changed their mobile phone network. Comparable figures for changing suppliers for communications services at home are 23% changing landline supplier, 18% changing internet supplier, and 11% of those with multi-channel TV (i.e. not just analogue terrestrial TV) changing suppliers. In all cases, experience of having changed supplier is more common amongst younger adults (aged under 45), those who keep themselves informed of developments in communications services, and those in more affluent households. Very few (no more than 7%) of those who have changed supplier report any difficulties in doing so.

5.28 One in ten with a landline at home (10%) use any companies **other than** their landline service supplier to make calls; whether through a special box, using a special dialling code or arranged in advance with the supplier. This is again more common amongst those who keep themselves informed of developments in communications services and those in more affluent households. By nation, using an additional supplier for making landline calls is most common in Wales (at 14%), and by location this is more common for those in rural areas of the UK (at 15%). These areas are the least likely to have access to cable telephony service providers, and so using these methods of indirect access for making calls are the main alternative available to using BT for landline calls.

5.29 Amongst those who personally use a mobile phone, very few (6%) use more than one SIM card with their phone. This measure, however, is double the UK average amongst mobile phone users in Scotland and Northern Ireland (12%). Use of more than one SIM card is also more prevalent amongst those who do

[21] Base: Those with access to each service at home – 2170 landline, 1954 mobile phone, 1180 internet access, 1452 digital TV. Ofcom Consumer Panel Survey October 2004, conducted by saville rossiter-base

not have a landline at home (at 15%), which we have seen is more common for residential consumers in Scotland than in the UK as a whole. For those in Northern Ireland the higher proportion using more than one SIM card may be due to the relative lack of coverage in rural areas. There are also likely to be roaming issues for those in areas which pick up phone networks from the Republic of Ireland which incur international call charges.

Summary – Ownership and experience

5.30 Levels of ownership of home communications technology stand at 93% with a fixed line at home, 79% with a mobile phone they use personally, 56% with internet access at home and 57% with access to digital TV at home. Significantly lower levels of ownership can be seen in Scotland for fixed line access, in Wales for mobile phone and internet ownership and in Northern Ireland for digital TV ownership. By contrast, Wales sees significantly higher levels of digital TV ownership.

5.31 Involuntary exclusion from communications technology at home has been defined as those who do not have access, do not intend to get access, **and** who have not made this decision through choice. Involuntary exclusion is lowest for fixed and mobile telephony. Involuntary exclusion from accessing the internet at home stands at 7% across the UK and relates to general affordability. The highest level of involuntary exclusion from home communications technology relates to digital TV; at 14% across the UK. This is mostly due to issues of affordability, but also some lack of understanding of the technology and lack of access.

5.32 The most significant levels of involuntary exclusion can be seen for those living in low income households. With the exception of access to mobile phones, involuntary exclusion stands at more than double the overall UK rate for this particular group.

5.33 Experience of difficulty using the types of home communications technology covered by the study are low for UK adults as a whole. Just over one in ten of the population report any difficulties using a mobile phone and 7%, 5% and 4% respectively report any difficulties using a landline, a PC or TV. Difficulties are, however, at least double the level reported by UK adults as a whole amongst those with a disability.

5.34 Levels of dissatisfaction with the service received regarding home fixed line, mobile phone, internet access and digital TV are relatively low. Across each of the services dissatisfaction levels are highest regarding the supplier making sure the customer is on the best deal available, with this being more common for fixed and mobile telephony.

5.35 Whilst dissatisfaction levels are lowest regarding the internet service received at home, levels of worries or concerns are highest for this service; at one in three with access. These mostly relate to concerns about security and control, whereas costs are the most common concern regarding fixed and mobile telephony and digital TV.

5.36 Those consumers who are dissatisfied or who have any concerns or worries tend to be the most informed and also the most active in terms of switching suppliers. Their experience and knowledge of the communications market has

given them the confidence to be dissatisfied with the service they receive and to take action as they see necessary.

Digital switchover

Definition of digital switchover

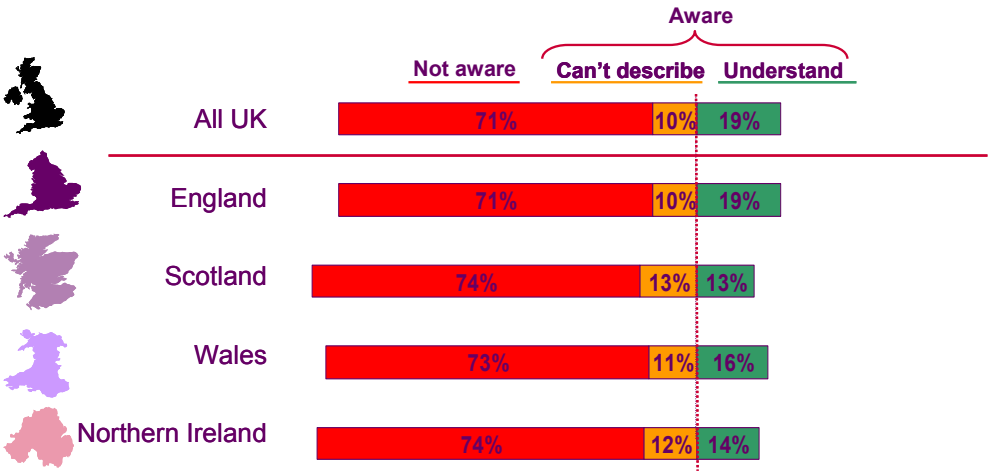
6.1 The following text describing digital switchover has been taken from the Digital Television Project webpage, compiled by the Department for Culture, Media and Sport:

"Digital switchover involves the switch-off of analogue transmissions and the analogue TV network that has been in place since the 1930s. It will affect all viewers who can only receive analogue services BBC1, BBC2, ITV, C4/S4C and (where available) Channel 5 services through their TV aerial. All televisions will need to be converted either by the purchase of a set-top box or by the purchase of an integrated digital television (iDTV) which has an in-built digital tuner. Video Recorders will lose some functionality, for example they will no longer facilitate time-shift recording or record a different channel to that being viewed. Initial planning with Broadcasters and Spectrum Planners has made clear that Switchover must be phased, region-by-region. Broadcasters believe this will take at least four years to complete."

Awareness of digital switchover

6.2 Awareness and understanding of digital switchover is relatively low. Fewer than one in three residential consumers have heard the term 'digital switchover', and just one in five are able to correctly describe what the term refers to. Levels of awareness and understanding are lowest outside England, as shown in Figure 20. Levels of understanding are significantly lower in Scotland and in Northern Ireland.

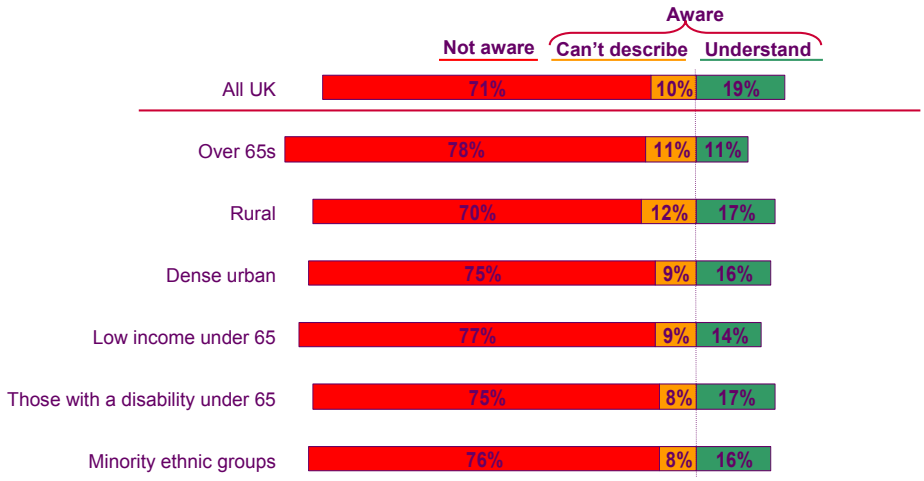
Figure 20. Awareness and understanding of 'digital switchover'[22]



6.3 Across the different groups represented by the Consumer Panel, awareness and understanding of digital switchover is lowest for those aged 65 or over and those in low income households; with close to four in five from each group being unaware of the term, as shown in figure 21 below.

[22] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

Figure 21. Awareness and understanding of 'digital switchover'[23]



Attitudes towards digital switchover

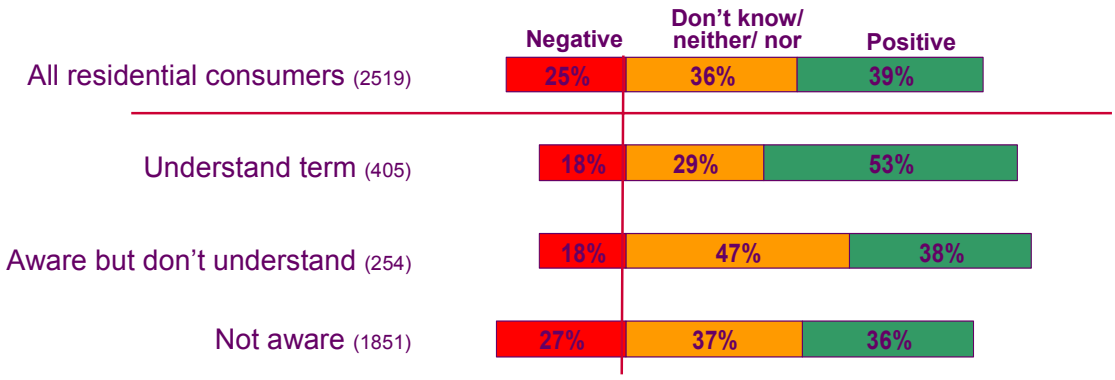
6.4 The following description of digital switchover was given to the residential consumers interviewed on the survey:

> *Digital television provides viewers with improved picture and sound quality, more TV channels and some new digital-only radio channels, as well as information services using the interactive 'red button'. Many households in the UK already receive digital television through cable, satellite or Freeview.*
>
> *The digital switchover will be phased in region by region and there will be at least two years notice given to people in each region of the country, it won't happen overnight.*
>
> *The digital switchover is due to be in place by 2012, and will involve switching-off the analogue television transmissions received through a TV aerial. All televisions and video recorders would then need to be connected to a digital service such as those provided by Sky, the cable TV companies, or Freeview, in order to receive TV broadcasts.*

6.5 Attitudes towards digital switchover are more positive than negative, but a significant minority of residential consumers don't know enough to have an opinion. Figure 22 below compares responses for all residential consumers with those who are able to describe digital switchover, those who have heard of the term but can't describe it, and those who had not heard of digital switchover before taking part in the survey.

[23] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

Figure 22. Whether digital switchover sounds like a positive or negative thing[24]



6.6 Those who already understand what digital switchover is, are the most likely to have a positive attitude towards it. Those previously unaware are the most likely to have negative attitudes. Understanding digital switchover therefore appears to increase positive perceptions, but with four in five residential consumers not understanding the term at present there is clearly much scope for increasing positive perceptions.

Advice and information on digital switchover

6.7 Low levels of awareness of digital switchover have an impact on top of mind sources of advice or information, such that one in four residential consumers don't know where they would turn for advice. The most commonly mentioned source (by 33% overall) is again friends and family members, as seen earlier regarding information and advice about communications services. Friends and family members are more likely to be mentioned as a source of advice and information regarding digital switchover by older people aged 65 and over. Just under one in five overall (17%) report that they would turn to their TV service provider, with this being more common amongst those who already have digital TV (21%) compared to those without digital TV at present (12%). Relatively few (4%) would turn to 'official' sources such as the government or the communications regulator for advice or information.

6.8 In terms of being **informed**, however, one in three residential consumers nominate the government or the regulator as their preferred source, second only to the media (at two in five of all). Again a significant minority, one in four of all, do not have a preferred source to inform them about digital switchover.

Summary – digital switchover

6.9 Understanding of digital switchover is low generally, and lower still amongst older people aged 65 and over and those in low income households. It does appear that understanding digital switchover leads to more positive perceptions, but a significant proportion of residential consumers don't know enough to have an opinion either way.

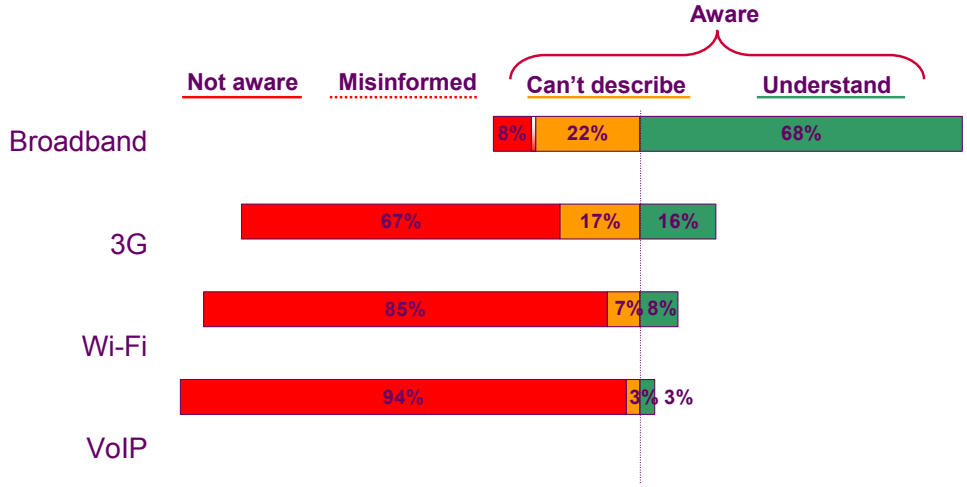
[24] Base: All respondents (2519 UK adults). Ofcom Consumer Panel Survey, October 2004, conducted by saville rossiter-base

Is there an SME knowledge gap?

7.1 The names of four communications services terms were read out over the telephone to the owners and managers of SMEs interviewed for this survey, and they were then asked to say which of these they had heard of. For each of the four terms they said they had heard of, they were then asked if they could describe to a colleague or friend what it meant, and how they would describe it to them.

7.2 Whilst nine in ten SMEs have heard of the term broadband, around two-thirds **understand** this term through being able to give a good description of what broadband means. Knowledge of 3G, Wi-Fi and VoIP is negligible. Figure 23 below categorises responses for each of the four terms relating to communications services covered by the survey. The sections shown in green to the right of the vertical line indicate those who understand the term through being able to provide a good description. Those shown in amber immediately to the left of the vertical line are aware of the term but (mostly) don't know what it means or (rarely) provide a poor description. The shaded red section indicates the very small proportions of SMEs who have heard of the term but provide an incorrect description. Finally, the solid red section to the far left indicates those who have never heard the term in question.

Figure 23. Awareness and understanding of communication services terms[25]

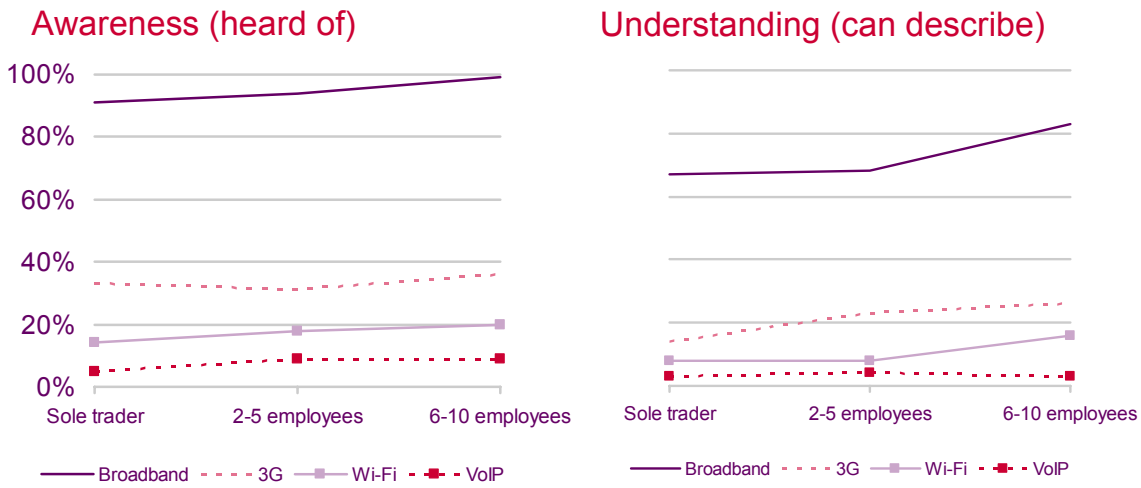


7.3 As shown in figure 23, very few give misinformed or incorrect descriptions, with this only relating to broadband: through the responses 'Access a broader range of/ more websites' and 'Broader range of colours and images'.

7.4 It is clear that SME knowledge varies considerably across the four terms, and that SME knowledge of these terms is some way from being complete. In order to understand more about the gap in understanding we have assessed how awareness and understanding varies across the different SME size categories. Figure 24 compares awareness (heard of the term) and understanding (can describe the term) across the three SME size categories. Both charts within figure 24 are based on all SMEs interviewed for the survey.

[25] Base: All respondents (300 SMEs) Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

Figure 24. Awareness and understanding of communications services terms by size of business[26]

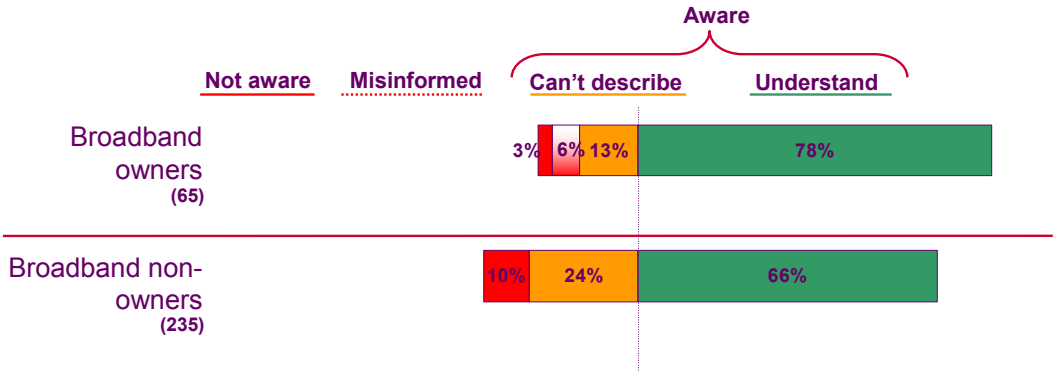


7.5 Awareness of the communications services terms does not vary significantly across the three size categories. Understanding of broadband, however, is significantly higher amongst the largest SMEs (with 6-10 employees).

The impact of ownership on understanding

7.6 The Consumer Panel survey of SMEs can identify those who have access to broadband, whether at their business premises or at home. Figure 25 below compares awareness and understanding of broadband amongst owners and non-owners.

Figure 25. Understanding of broadband by ownership[27]



7.7 Levels of awareness (having heard of broadband) do not vary between those with and without access. However, those with access to broadband are significantly more likely to **understand** the term through being able to provide a correct description.

[26] Base: All respondents (300 SMEs). Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

[27] Base: SMEs with and without broadband access. Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

Summary – Is there an SME knowledge gap?

7.8 Broadband is the only one of the four communications services terms which has a reasonable level of understanding amongst SMEs. The majority of SMEs have not heard of 3G, Wi-Fi and VoIP. There is, however, very little evidence of misunderstanding across the communications services covered by the survey in terms of those who have heard of a communications service but provide an incorrect description.

7.9 Sole traders are the least likely to be aware of the communications terms, and the largest SMEs (with 6-10 employees) are the most likely. This is particularly true for understanding of broadband, where the largest SMEs are significantly more likely to understand this term.

Is there an SME information gap?

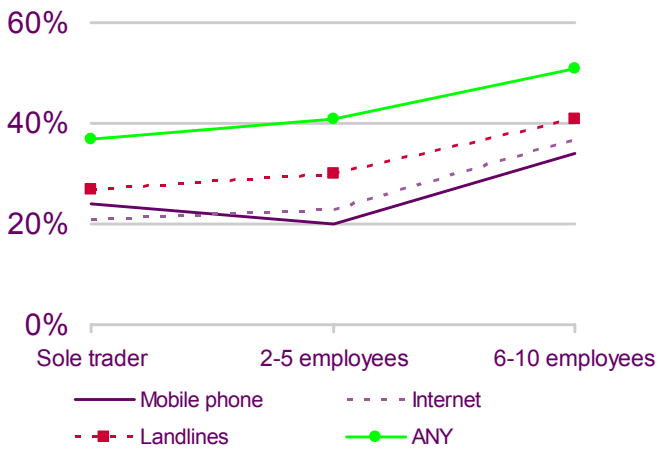
Keeping informed

8.1 Two in five SMEs (39%) claim to keep themselves informed about new developments for any of:

- Mobile phone technology, services and suppliers
- Ways of connecting to the internet
- Different options and suppliers for making calls from your fixed line for work

8.2 Across the three communications services detailed in the survey, SMEs are most likely to keep themselves informed about options for making calls from their fixed line for work (at 29% of all SMEs) and least likely to keep themselves informed about ways of connecting to the internet (at 22% of all SMEs). Keeping informed varies to some extent in terms of the type of communications service and varies considerably by the size of business. This is illustrated in Figure 26, which shows the incidence of those who keep themselves informed about each of the three communications services and (in green) any of these services, for each of three SME size categories.

Figure 26. Keeping informed about communications services developments by size of business[28]



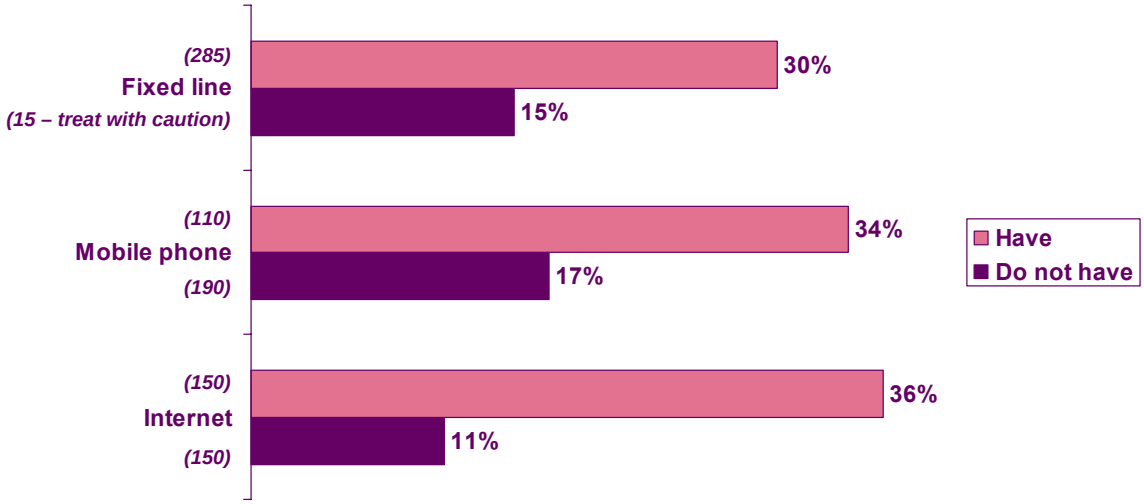
8.3 The largest SMEs are significantly more likely to keep informed for each of the three communications services, with no significant difference in this respect between sole traders and those with 2-5 employees. Whilst the largest SMEs differ in this respect, still just half in this size category keep themselves informed at all.

8.4 Figure 27 below shows the impact of SMEs owning each type of communications service on keeping up with developments. It is clear for each of the three services that those with each service are more likely to keep themselves informed about developments for that type of communications technology; with this shown most strongly for ways of connecting to the

[28] Base: All respondents (300 SMEs). Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

internet. The gap between those with and without the service is less marked, though still significant, for keeping in touch with mobile phone technology, services and suppliers; which holds more interest for non-owners of mobile phones. Few of the SMEs interviewed did not have a fixed line phone they used for their business (whether at their business premises or at home), and so the base for non-owners of a fixed line is too small for any meaningful comparison.

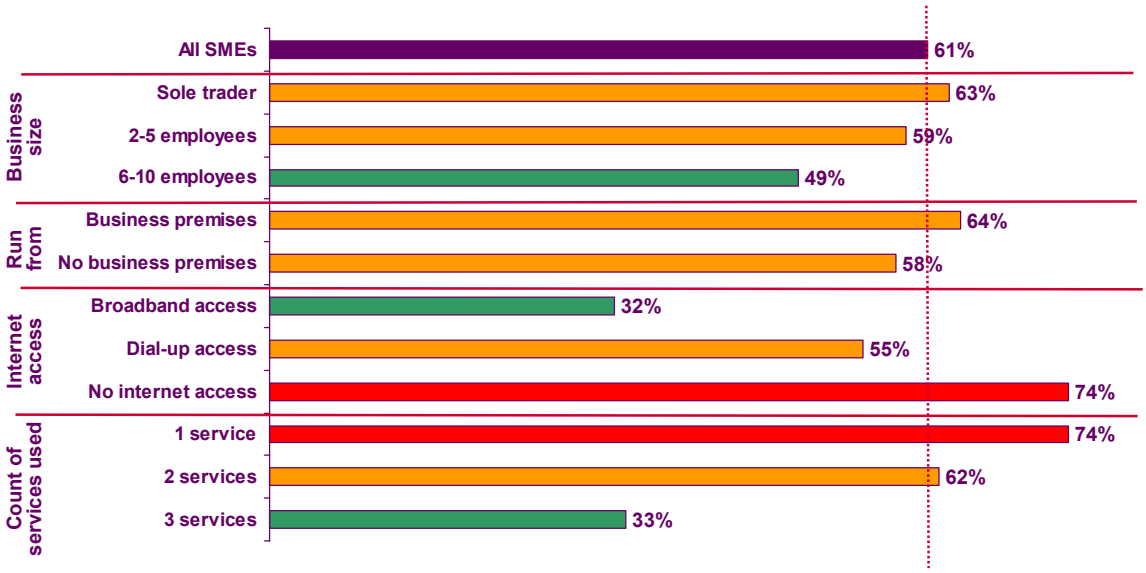
Figure 27. Keeping informed about communications services developments by ownership of each type of service[29]



8.5 As shown in figure 26 previously, larger SMEs are the most likely to keep informed about developments in communications services. Figure 28 below shows the incidence of those SMEs who do not keep informed. Those shown in red are significantly less informed and those shown in green are significantly more informed compared to all SMEs. Amber bars indicate no significant difference from the overall measure for SMEs.

[29] Base: All respondents (300 SMEs). Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

Figure 28. Those who **do not** keep themselves informed about developments in communications services[30]



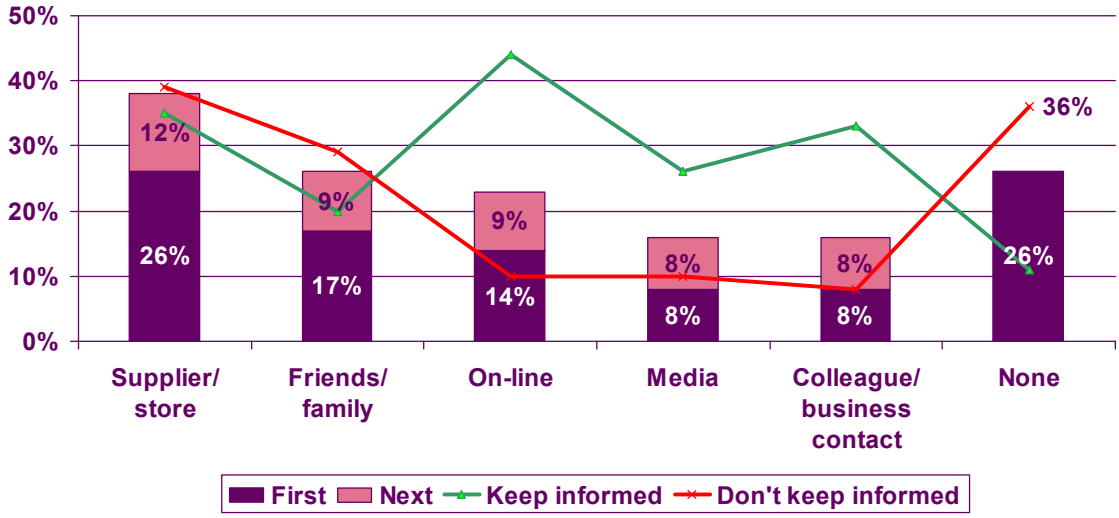
8.6 As well as larger SMEs, the types of SMEs significantly more likely to keep themselves informed are those with broadband access to the internet, and those who have each of a fixed line, mobile phone and internet access for their business (shown as '3 services' in figure 28 above). Conversely, the types of SMEs least likely to keep themselves informed are those without internet access and those using only one of the three services (typically using fixed line only, shown as '1 service' in figure 28).

Sources of information

8.7 All SMEs were asked to nominate without prompting where they would turn for advice or information on any of the three communications services (fixed line, mobile phone, internet access). Where an initial source of information was recalled, SMEs were then asked where they would turn to next. Figure 29 below shows the proportion of SMEs nominating each of five sources of information, and whether each source was nominated as an initial or a secondary source. The green line shown in figure 29 indicates the responses per source given by those who keep themselves informed about developments in communications services. The red line indicates the responses per source given by those who **do not** keep themselves informed about developments in communications services.

[30] Base: All respondents (300 SMEs). Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

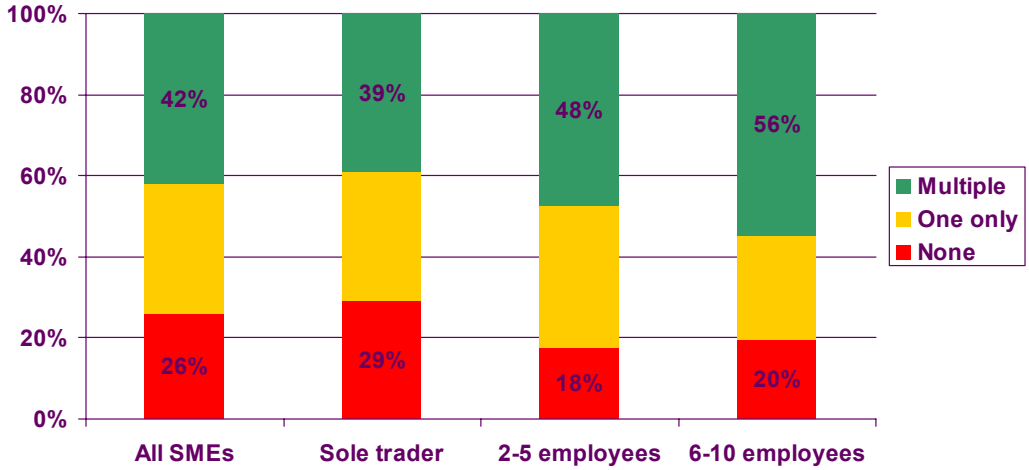
Figure 29. Where SMEs would turn for information and advice on communications services[31]



8.8 Suppliers or stores able to provide communications services are the most popular source of information for SMEs; nominated by one in four as their initial source and a further one in eight as a secondary source. Amongst those who keep themselves informed of communications services developments it is clear than on-line sources are dominant. Whilst one in ten of those who keep informed **could not recall any** sources of information, this measure stands at over one-third of those who do not keep themselves informed.

8.9 As shown in figure 30 below, one in four SMEs could not recall any sources of information. By business size this is more common amongst sole traders, whereas those in the largest SMEs (with 6-10 employees) are the most likely to recall more than one source of information.

Figure 30. Count of sources of information nominated by SMEs[32]



[31] Base: All respondents (300 SMEs). Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

[32] Base: All respondents (300 SMEs). Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

Summary – Is there an SME knowledge gap?

8.10 Across all SMEs, fewer than half keep themselves informed about new developments regarding making calls from business landlines, mobile phone technology or ways of connecting to the internet. Whilst larger SMEs (with 6-10 employees) are more likely to keep themselves informed, still only half do so. Those in businesses which only have a fixed line, and no mobile phones or internet access are the least likely to keep informed; at just one in four of such businesses.

8.11 One in four of all SMEs could not recall any sources of advice or information, with this being more common amongst sole traders and those who do not keep themselves informed. The most popular source of information amongst SMEs is suppliers or stores able to provide the communications services. On-line sources are the most popular amongst those SMEs who do keep themselves informed.

Ownership and experience amongst SMEs

Levels of ownership, voluntary exclusion and involuntary exclusion

9.1 SMEs taking part in the survey were asked whether their business had access to three types of communications technology:

- Landline (whether at their business premises or at home and regularly used to make or receive business calls)
- Mobile phone (owned by the business or with bills paid in full by the business)
- Internet access (whether at their business premises or at home and regularly used in connection with the business)

9.2 Those who did not have access were asked whether they intend to get each type of communications technology for their business in the next 12 months, and if not, why not. Involuntary exclusion has been defined as those who do not have access, do not intend to get access **and** have not made this decision through choice. For example, those who do not intend to get access because they don't want or don't need the technology in question have been defined as **voluntarily excluded**. Those who do not intend to get access because of affordability or lack of coverage in their area have been defined as **involuntarily excluded**.

9.3 Figure 31 illustrates levels of ownership (through having access) across all SMEs for each of the three technologies, followed by levels of voluntary and involuntary exclusion.

Figure 31. Ownership and exclusion levels for communications technology[33]

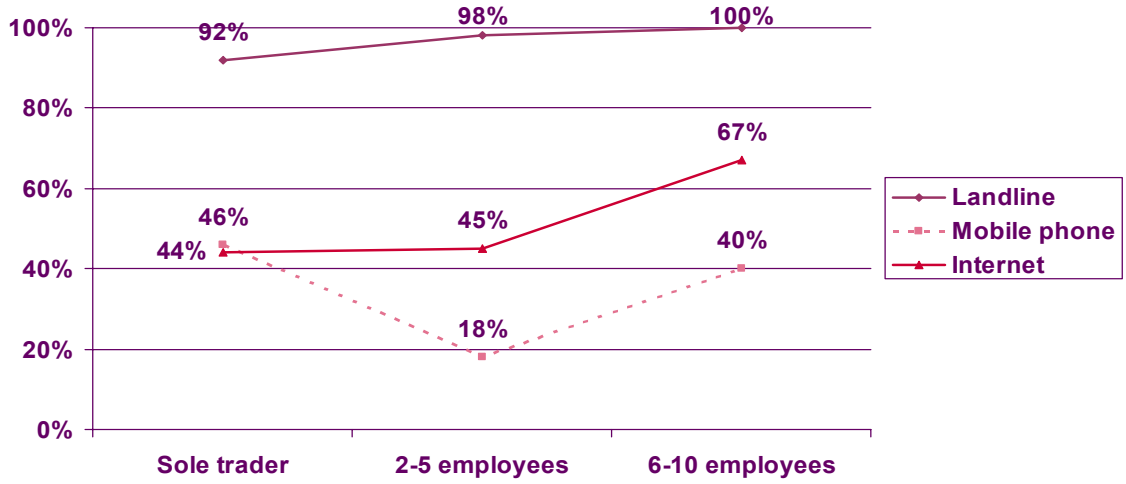
	Landline	Mobile phone	Internet
Have already	94%	41%	47%
Intend to get	1%	5%	6%
Voluntarily excluded			
No need/ don't want	5%	53%	45%
Involuntarily excluded			
Costs/ Affordability	1%	2%	2%
Other reasons	-	-	1%

9.4 As shown in figure 31, involuntary exclusion amongst SMEs is negligible; with almost all of those who do not have a particular communications technology saying they do not need and/ or do not want the technology in question. In addition, around one in twenty SMEs intend to get a business mobile phone or internet access for their business in the next twelve months.

[33] Base: All respondents (300 SMEs). Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

9.5 Ownership levels for business mobile phones and internet access differ significantly by the size of business as shown in figure 32 below. Sole traders are the least likely to have a fixed line for their business and the most likely to have a business mobile phone. Just over half of all sole traders taking part in the survey did not have business premises, instead running their business from home. Of all those without business premises, 14% do not use a fixed line for their business. One in five (21%) of all SMEs have business mobile phones but do not have a fixed line at their business premises or a separate line at home for business calls. All of these SMEs operate as sole traders.

Figure 32. Access to communications services by size of business[34]



9.6 Mid-sized SMEs (with 2-5 employees) are significantly less likely to have any business mobile phones (where the business owns the phones or pays the bills in full). The largest SMEs (with 6-10 employees) are significantly more likely to have access to the internet; being the only size category where this applies to a majority of SMEs. Of those with access to the internet, around two in five have broadband access; accounting for one in five of all SMEs.

Mobile phone payment method

9.7 One in four SMEs with business mobile phones use pay as you go rather than a contract to pay for calls made. By type of business, using pay as you go is more common amongst sole traders, those without business premises and those without a fixed line for their business. These types of businesses are therefore more dependent on their mobile phones. Those using pay as you go as their payment method are also less likely to keep themselves informed about communications services.

9.8 Amongst those with business mobile phones on a contract, two in five do not have a **business** payment plan for their phone/s. Furthermore, around half of these businesses with personal contracts appear not to have thought about or known about the option for business payment plans. Across all SMEs with business mobile phones over half (55%) either use pay as you go or have a personal contract with their phone network. Both of these payment methods can mean paying more for calls where the phone is being used more heavily.

[34] Base: All respondents (300 SMEs). Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

Access to the internet

9.9 As shown in Figure 31, the survey found that 47% of all SMEs have access to the internet at all. One in five (19%) of all SMEs have broadband access to the internet. Across all those who have dial-up access to the internet, one in four are **unaware** as to whether it is possible to receive broadband in their area. One in five with dial-up access state that having broadband access would be a benefit to them. An additional one in seven, however, are unsure as to whether there would be a benefit, with the remainder (around three in five) not seeing a benefit of broadband access.

Spend on business communications

9.10 Those with access to each of the three types of communications technology were asked to **estimate** how much they pay per quarter for their landline phone (including line rental, calls, any equipment rental and VAT) and per month for their mobile phone, and internet access. Figure 33 below shows the average monthly spend amongst those who have access to each of the communications technologies, overall and by business size. The estimates for average monthly spend have been rounded up to the nearest pound.

Figure 33. Average spend on communications by business size[35]

	All SMEs	Sole traders	2-5 employees	6-10 employees
Base	*223*	*88*	*71**	*64**
Landline per month	£38	£31	£40	£91
Base	*110*	*69**	*14**	*27**
Mobile phone/s per month	£52	£50	£42	£121
Base	*150*	*65**	*36**	*49**
Internet access per month	£15	£15	£14	£16

* Low base size, treat with caution

Experience of supplier service – satisfaction, concerns and worries

9.11 Levels of satisfaction with the service provided by communications service suppliers are relatively high amongst those with landlines, mobile phones, and internet access. In terms of the overall service provided, dissatisfied customers account for fewer than one in ten SMEs, with a similar proportion dissatisfied in terms of understanding bills from their supplier. The aspect of service covered by the survey which found higher levels of dissatisfaction (accounting for between one in seven and one in four customers) is 'Your supplier making sure you are on the best of their deals for you'.

9.12 Figure 34 below shows the measures of satisfaction (in green) and dissatisfaction (in red) for each aspect covered by the survey and for each type of technology that SMEs had access to for their business. Please note that those neither satisfied nor dissatisfied with each aspect are not included in this table, and so figures may not add to 100%.

[35] Base: All SMEs with access to each type of communications technology. Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base

Figure 34. Levels of satisfaction and dissatisfaction with suppliers[36]

	Landline (285)	Mobile phone (110)	Internet (150)
Understanding bills	75% satisfied 8% dissatisfied	83% (NB Contract customers only) 3%	68% 7%
Making sure you're on best of their deals	50% 17%	49% 23%	50% 14%
Overall service provided	76% 3%	73% 7%	70% 9%
ANY DISSATISFACTION	22%	24%	20%

9.13 The final row shown in Figure 34 summarises where **any** dissatisfaction was reported by consumers of each type of service, and shows that overall dissatisfaction levels do not differ significantly for the three services. Each of the aspects relating to the internet service see higher levels of satisfaction and lower levels of dissatisfaction for those with **broadband** as opposed to dial-up access, although base sizes are relatively small.

9.14 Across each of the communications services there is a clear trend when identifying dissatisfied customers: they tend to be those who are spending more on the service, are more likely to keep themselves informed of developments in communications technology, and are more likely to have ever switched to a different supplier for the service concerned. By size category they are least likely to be sole traders.

9.15 This group of SMEs are also more likely to have concerns or worries about the services they use, compared to SMEs as a whole. Mobile phone and internet services see higher levels of concerns or worries than landline services, at around one in three with mobile phones or internet access compared to one in five for landlines. Whereas costs are the most common concern for fixed and mobile telephony, the key concerns regarding the internet service relate to security and control. Figure 35 summarises overall levels of concerns or worries amongst users and also details the **key** concerns nominated for each.

[36] Base: Those with access to each service for their business. Ofcom Consumer Panel Survey, October/ November 2004, conducted by saville rossiter-base.

Figure 35. Concerns or worries for those with access to each service for their business[37]

- **Landline**
- 19% have any concerns or worries
  - 13% costs
  - 3% customer service

- **Mobile phone**
- 29% have any concerns or worries
  - 15% costs
  - 9% choice/ access/ coverage
  - 3% handset issues

- **Internet**
- 29% have any concerns or worries
  - 13% spam/ pop-ups/ virus/ control
  - 7% security
  - 6% speed of connection
  - 6% costs

Experience of supplier service – use of other service providers

9.16 Whilst a minority of SMEs have ever changed the supplier for communications services for their business, this is most common for the landline service used. One in three (30%) with a landline used for business have ever changed landline supplier. Comparable figures for changing suppliers for business communications services are 24% changing internet supplier, and 22% changing mobile phone network. Experience of having changed supplier appears more common amongst the largest SMEs (with 6-10 employees), and those who keep themselves informed of developments in communications services. Base sizes are small, but it appears that few of those who have changed supplier report any difficulties in doing so.

9.17 One in seven (15%) of those who use a landline for their business use any companies **other than** their landline service supplier to make calls; whether through a special box, using a special dialling code or arranged in advance with the supplier. This is again more common amongst larger SMEs, those who keep themselves informed of developments in communications services and those with separate business premises.

[37] Base: Those with access to each service for their business – 285 landline, 110 mobile phone, 150 internet access. Ofcom Consumer Panel Survey October/ November 2004, conducted by saville rossiter-base

Summary – Ownership and experience amongst SMEs

9.18 Levels of ownership of communications technology used by SMEs for their business stand at 94% with a fixed line, 41% with any mobile phones owned by the business or with bills paid in full by the business, and 47% with internet access – 19% overall with broadband access. Access to the internet is at a significantly higher level for the largest SMEs (with 6-10 employees) and mid-sizes SMEs (with 2-5 employees) are significantly less likely to have any business mobile phones.

9.19 Involuntary exclusion from communications technology amongst SMEs has been defined as those who do not have access, do not intend to get access, **and** who have not made this decision through choice. Involuntary exclusion is at negligible levels amongst SMEs.

9.20 There is some evidence that a majority of SMEs with business mobile phones may not be using the most cost effective method of paying for calls made using the phones. Over half of all SMEs with mobile phones used for business either use pay as you go or consumer contracts, rather than contracts for business users. SMEs using pay as you go to pay for calls made are the most likely to be more dependent on their mobile phones; being sole traders, without business premises and without a fixed line for their business.

9.21 Whilst close to half of all SMEs have access to the internet, just one in five of all SMEs have broadband access. A significant minority of those with dial-up access do not know whether it is possible to receive broadband in their area. In addition, four in five with dial-up access either see no benefit in broadband access or are unsure as to whether there would be a benefit for their business.

9.22 Levels of dissatisfaction with the service received regarding business fixed lines, mobile phones, and internet access are low. Across each of the services dissatisfaction levels are highest regarding the supplier making sure the customer is on the best deal available, with this being more common for mobile telephony.

9.23 Levels of worries or concerns are higher for mobile and internet services than for landline services. Concerns regarding the internet service mostly relate to security and control, whereas costs are the most common concern regarding fixed and mobile telephony.

9.24 Those SMEs who are dissatisfied or who have any concerns or worries tend to be the most informed and also the most active in terms of switching suppliers. Their experience and knowledge of the communications market has given them the confidence to be dissatisfied with the service they receive and take action as they see necessary.

Qualitative Research Report

Background & Methodology

A1. MORI was commissioned to undertake a qualitative study among a number of potentially vulnerable consumer groups across all four nations of the United Kingdom. The study explored the communications marketplace from the consumer's point of view. Specifically, this research aimed to:

- Inform a subsequent quantitative tracking survey;
- Capture 'consumer language' as opposed to industry jargon;
- Bring to life the more emotive motivations and concerns that consumers have;
- Speak directly with a wide range of consumers;
- Help the Consumer Panel to understand a 'non-Ofcom' view of the world;
- Focus on the needs of the most vulnerable groups in society;
- Include a discussion on non-users of telecommunications and broadcasting;
- Focus on the 'real-life' issues driving consumer attitudes and behaviour among specific groups in society;
- Capture key conclusions and inform debate on major issues; and
- Incorporate a robust understanding of consumers across all four UK nations.

Methodology

A2. This research sought to explore the views of consumers that the Consumer Panel has a statutory duty to represent. In particular, it set out to detail the experiences and views of the following groups of people across the United Kingdom:

- Young people (10-14 year olds);
- Older people (over-65s);
- Black and Minority Ethnic people (BME);
- People with disabilities;
- People on low incomes (less than £11,500 per year);
- Businesses with between 1-10 employees ; and
- People living in rural areas.

A3. In order to do so, MORI employed an innovative qualitative methodology which – while used in social research – is not common in consumer research. The success of this approach (outlined below) demonstrates that the use of observational research and 'citizen researchers' is a legitimate and viable method for consumer research.

A4. There were three stages to the research. Firstly, 32 in-depth interviews were conducted with representatives from the target populations, each lasting up to two hours. The interviews were held with the following groups:

Table 1: Sample breakdown

Audience type	England	Scotland	Wales	N. Ireland	Total
Youth	2	1	1	1	**5**
Older people	1	1	1	0	**3**
BME	2	0	1	0	**3**
Disabled	2	1	0	1	**4**
Low income	2	2	1	1	**6**
Businesses (1-10 employees)	2	1	1	1	**5**
Rural	1	2	2	1	**6**
	12	**8**	**7**	**5**	**32**

A5. These interviews examined people's experience of a range of communication technologies, including landlines, mobile phones, the internet (both dial-up and broadband) and digital TV. An overview showing how many of the respondents had access to each kind of communications technology is shown below.

Table 2: Take-up of technology amongst sample

Breakdown showing uptake of technology by respondents

	England	Scotland	Wales	N. Ireland
Landline	11	5	6	5
Mobile	9	6	7	4
Sky/Cable	2	5	4	3
Digital	2	0	1	1
Internet	5	4	2	2
Broadband	2	0	2	0

A6. This first stage of the research process also incorporated an element of observational work – such as noting the physical placement of communication channels within the domestic or work environment – in order to understand the respondents' needs and motivations more clearly.

A7. When respondents were recruited to these interviews they were also briefed about the second stage of the research project, and their consent to participate in it was sought. This second stage involved the interviewees becoming interviewers – a process known as 'citizen research'. These 'citizen researchers' were not only tasked with various practical exercises (such as finding out how to change phone supplier) but also asked to discuss views on communication technologies with a number of people in their social circle who they communicate with in the ordinary course of life. The citizen researchers were given discussion guides and forms on which to record the main points of these discussions.

A8. Finally, a week or two after the first interview, MORI reconvened with each citizen researcher and a small group of their family and friends to discuss the issues in still greater detail. On the whole, these group discussions tended to echo the experiences of the citizen researcher. This is perhaps unsurprising given that, in almost all of the first stage interviews, citizen researchers said that they tended to turn to friends and family for trusted advice about communication technology.

A9. As a result of using this technique, MORI was able to access the in-depth views of over 120 people. While this is a small sample from which generalisations should not be made, the research that MORI was able to carry out with these people was intensely focused in a way that a quantitative survey cannot be. As such, this study was a key element to informing the scope and reach of the later quantitative research.

A10. Furthermore, by using the original interviewees as citizen researchers, this study was also able to help people focus deeply on the issues at stake over a significant timeframe – something that would not have been possible with a 'standard' qualitative methodology.

A11. This research methodology also made *all* the respondents far more attuned to the advertising which surrounded them about communication technologies. There was a general realisation that this is something which they normally 'filter out', and many of the citizen researchers became more aware, and more critical, of the choices that were available to them. However, it is important to note that this awareness of choice did not generally translate into the confidence to exert that choice – a finding which has implications for how information is communicated to the general public. Any information has to work hard to fight against the background noise that already exists and has to directly tackle many people's natural 'default' position, when it comes to communication technologies, of not feeling equipped to exercise choice.

Qualitative research executive summary

A12. Across all the groups of people interviewed for this study there is a surprising degree of consistency when it comes to the motivators of choices that people make in regard to their communication channels.

The hierarchy of communication tools

A13. The objectives of this study were to understand *why* purchase decisions are made and to ascertain the level of understanding among specific consumer groups. To do this, it is first necessary to understand *what* communication tools are used and the importance which is attached to them.

A14. For many, landlines are still the linchpin of how they communicate. This is particularly true for older people, those in rural areas and also those who run their own businesses and have fixed premises. Landlines are seen to offer good value for money and the level of service provided is held in high regard. Respondents speak of the peace of mind gained from being able to talk to a customer service operator rather than being directed through an automated response. Furthermore, for some, they simply have no other option than to rely on a landline. Reception problems in rural areas, for example, preclude them from using a mobile phone as their main communication tool.

A15. The one major difference here is among the younger interviewees, where the landline is of *least* importance. Instead, these people tend to rely on mobile phones - largely driven by safety issues. Mobile phones allow younger respondents to assert their independence while providing reassurance for their parents. They also provide status – handsets are of key importance to this group.

A16. It is generally true to say that for all groups digital TV and the internet (especially broadband) are the least important communication channels. The internet is predominantly used as a tool to keep in touch with family and friends – particularly those who are overseas. Furthermore, many parents and children alike speak of the educational value of the internet and mention how this is a key driver in their purchasing decision. Although internet shopping is popular among some of the respondents, there is little evidence that this has caught on with those who have internet access via digital TV. Security fears prohibit this and, as such, digital TV is, on the whole, used solely for entertainment.

A17. People with disabilities tend to use communications and broadcast technology to their advantage more than any other group. They recognise that technology can help them communicate with others effectively and easily and as such have harnessed the benefits. Likewise, those in rural areas adopt a more flexible approach to communications – due to network coverage issues they are not reliant on their mobile phones and, as such, tend to use a variety of communication tools to keep in contact with others.

Informing purchase decisions

A18. In the first instance, there is currently far too much information about communication tools which not only hampers understanding but also fuels indifference. This information comes from a variety of sources – friends, family, advertising and the media. Consequently, respondents spoke of the difficulty in deciphering what information may be relevant to them.

A19. However, even though there is a great deal of information it does not seem to be telling the respondents what they want to know. Purchasing decisions are driven largely by cost considerations and, at present, there seems to be little in the way of information to help aid this.

A20. The main result of this 'information overload', most of which is seen to be largely irrelevant, is that it encourages apathy. Respondents speak of how they simply do not have the information they need to make rational purchasing decisions. As such, many simply use word-of-mouth recommendations when choosing what communications technology to buy - without any real awareness of whether their purchase will meet their needs. Furthermore, once a decision has been made there is little incentive for respondents to seek a better deal.

Facilitating decision-making

A21. This study does show that there are real implications for how information on communication technology should be conveyed. A number of interviewees feel that they really need a filtering mechanism to mediate between them and the service providers, which could also amplify and clarify key messages. It is also important that this information comes from a trusted source. In relation to digital TV, some interviewees feel that the BBC could take a more prominent role as a public information service, advising the general public on future developments.

A22. However, it is important to bear in mind that an increase in knowledge does not necessarily translate into ability or even a desire to make decisions. This research has identified branding as a significant factor for hard-to-reach groups, and that that brand identity revolves around quality customer-facing services. Personal contact, as opposed to automated response, serves to make customers feel valued and many interviewees felt that it would be worth paying more for this treatment and the added peace of mind that it brings.

Tracking changes

A23. This qualitative study has also highlighted many key issues that could be tracked over time through the quantitative stage. The first of these concerns levels of understanding with regards to different terminologies, in particular, broadband and digital television. The lack of knowledge about these was somewhat surprising and, as such, monitoring whether awareness changes is important. However, there are many other issues that should also be covered:

- The competitive advantage for small businesses;
- How people can be incentivised to make choices;
- The role of the human factor and the importance of person response;
- The role played by friends and family in disseminating information;
- Concerns with regards to the future of communications;
- The role of mobile phones in helping inform identity; and
- Levels of trust in technology, suppliers and the information sources.

Landlines

A24. Most people interviewed for this study used BT as their landline provider. While there were perceptions that it might be more expensive than other providers, it is felt to be a trusted brand name and thus perceived to be worth the extra cost. Consequently, most interviewees view it in a better light than its rivals.

> *"BT are trustworthy . . . A lot of the smaller companies aren't worth getting involved with"*
>
> *Low Income, Edinburgh*

A25. Another significant factor in explaining why people favour this particular provider over another is that of high quality customer service. A number of interviewees mention that when they have had a problem with their connection or billing, they have been able to speak to someone about it, rather than merely listening to an automated response. For example, one interviewee who had been receiving nuisance phone calls from her ex-husband told her provider about the situation and found that they changed her number immediately without charge.

> *"I was having nuisance phone calls. They were meant to charge me £40 but because of the circumstances, they did it for nothing"*
>
> *Older person, Swansea*

A26. Furthermore, simple factors such as engineers calling when they say they will and being presentable, friendly and polite to their customers also help to explain why many of the people we interviewed are loyal to one particular provider. The 'human touch' is a major factor here.

The 'sticky' customer

A27. Whatever positive association people may feel towards any supplier, many of the people interviewed tend to stay with their current provider simply because it is seen to be too complicated to change. Respondents state how they have 'better things to do with their time' than research all the options in order to determine 'the best deal'.

> *"I just stuck with them . . . If it's not broke, don't fix it"*
>
> *BME, London*

A28. To a large extent, this apathy certainly explains why many interviewees choose to stay with one provider in spite of the perception that they may be paying more than they need to. There is also a sense that there are only marginal differences in the offerings of rival providers. For respondents to switch suppliers they would expect to make a considerable saving – a few pounds a month is not seen as compensation enough either for the effort required in researching the different offerings or the inconvenience caused by actually changing. This 'stickiness' is a major explanation for the reluctance to switch suppliers among the interviewees.

A29. There is also a degree of scepticism in terms of the offers made by providers seeking to 'convert' people. Many of the interviewees felt that no company could offer dramatic savings without there being a future, unspecified drawback.

> *"All that stuff is just a dazzle thing. It's best staying with someone you know and you can rely on and you trust. You actually don't save anything"*
>
> *Rural, Wales*

"You don't really know do you? You wouldn't know until you got your bill in"

Older person, Swansea

A30. Aligned to this, many interviewees are discouraged by the fact that many suppliers' offers tend to be sold on the basis of price alone. As already mentioned, high-quality customer service is a significant factor in any choice made by the people interviewed for this study, and yet it is not seen by them as a factor which suppliers take into account when trying to persuade them to switch.

A31. As such, whenever people *had* switched landline provider, it was more likely that this was the result of being 'pushed away' from a failing supplier than because they had been 'pulled' towards a new one: bad customer experiences act as a pre-eminent catalyst for change.

The needs of specific consumer groups

A32. One of the main messages from this research – across all channels of communication technology – is that these specific consumers interviewed are not always well-served when it comes to the options presented to them by suppliers. In terms of landlines, some of the interviewees on low-incomes cite the limitations placed on their ability to pay by anything other than direct debit as a major barrier.

"You shouldn't be charged extra for not having a bank account. With x, if you don't pay by direct debit, they charge £2 extra. Then, if you are a little bit late with the payment, they'll charge you an extra £20. I tend to now pay in instalments, a little bit each week"

Low Income, Belfast

A33. Previous MORI research has shown that it is often the people who can least afford a service who end up paying most. It is important, therefore, that suppliers recognise that some of their customer base will not necessarily have access to a bank account. It appears there is some demand for provisions to ensure that all customers can be treated fairly.

Mobile Phones

A34. Mobile phones have impacted heavily on consumer lifestyles. Many interviewees feel more independent and secure as a result of being easily reached at all times. For instance, young people have more opportunities to go out with their friends, safe in the knowledge that they can get in touch with their parents when they want or need to.

> *"My mobile is really important – I can keep in contact with my family when I'm out. It makes me feel safer"*
>
> *Young person, Belfast*

A35. Likewise, for respondents with disabilities, a mobile phone has meant that they are now secure in the knowledge that help is at hand at any given time.

> *"I could cope, but it's one of those things that we have become reliant on"*
>
> *Disability, London*

A36. However, their impact stretches beyond helping these groups of society that are of specific interest to the panel.

Case study

One woman mentions how her husband works on the oil rigs in Libya and as a result is away from home for six weeks at a time. Due to his location in the desert, he is not accessible via landline or the internet – and so husband and wife have become reliant on their mobile phones in order to keep in touch. A process of trial and error made them realise that x provides the best network coverage in the Middle East and consequently the respondent has taken this as her network provider as well. This is so that she can benefit from cheaper international calls. The real bonus, though, is the fact that they are free to call each other as and when, and both can get on with their lives without waiting for the landline to ring.

A37. Mobile phones have also given a real advantage to respondents running their own small businesses, especially when they do not have fixed premises. Not only do mobiles help them keep in contact with customers but they also enable them to separate their work and social calls – something that they were generally unable to do when they just had a landline. They tend to use their mobile for work and save the landline for personal calls only.

Choosing a network provider

A38. Unlike the situation that exists with landlines, choices about mobile network providers are largely made not on the basis of past associations but rather on the recommendations of friends and family. Other sources include seeking advice from young people within social networks, as they are seen to have the firmest grasp on this market – perceived to know the strengths and weaknesses of various providers and as such their judgement is valued.

"I'd rather speak to people who are using the service rather than the service suppliers telling me this is what to do"

Low Income, Swansea

"Friends and family will tell you the pitfalls as well as the good points. A professional, he's there to sell it to you"

Rural, Wales

A39. For many interviewees, cost is a key consideration and so they tend to choose the same provider as those in their social network, in order to harness the benefits of cheaper calls. In fact, some respondents would check which service providers friends were with before choosing whether to store their phone numbers on their own mobile – cross-network calls being seen as more expensive than same-network calls. Should they be on a different network then they would either wait for their friends to call them, or would call them from the landline.

A40. It soon becomes clear from discussions that once consumers have decided on a particular service provider from discussions within their social network, they would then – and only then – approach a retailer for help with the particular handset or tariff option. Aside from friends and family, the insight and knowledge of independent retailers such as 'The Link' and 'Carphone Warehouse' are seen to be the 'next best' source of information. Again, the importance of customer service is highlighted here, as independent retailers are not seen to go for the 'hard sell'.

Choosing a tariff

A41. For those on low household incomes, pay as you go tariffs are an attractive option for a variety of reasons. Firstly, some do not have access to a bank account or have poor credit ratings and, as such, monthly contracts are not available to them. Therefore, their only option is for pay as you go tariffs, regardless of whether it will offer them the best return on their investment.

A42. Pay as you go tariffs also offer the security of ensuring that respondents are able to keep track of their spending and therefore remove the 'surprise' of the monthly bill. This is seen by consumers as an effective means of budgeting and allows them to retain a sense of control. Some interviewees say that this is the most important reason for taking up the pay as you go option – they are not tied to a certain provider or contract and are able to maintain a level of freedom.

A43. However, while there is a certain appeal to pay as you go phones and many enter into this option consciously, it does not always provide the best deal for those on low incomes. Some interviewees say that they spend up to £20 a week in vouchers which, they suspect, is actually more than what they would pay were they on a contract. As with landlines, once again, those who can least afford it sometimes find themselves being unable to take up the 'best deal' offer simply because they are barred from any other option.

Network coverage

A44. Aside from cost, for many the key consideration about choice of mobile phone supplier is that of network coverage. In particular, this is a real issue for those in rural areas who are often unable to get a good signal.

"There is poor coverage at the house – most phones don't work"

Rural, Derry

A45. As such, more so than any other group, these rural interviewees are very flexible in their approach to communications, and much less reliant on mobiles. Similarly, many respondents in Northern Ireland complain about poor network coverage, especially outside the major centres of Londonderry and Belfast.

A46. However, there is a further problem in that when interviewees while in Northern Ireland approach the border with the Republic, they are often charged international call rates even though they are still in the UK.

> *"It's difficult when you're at border towns and it keeps switching between North and South suppliers"*
>
> *SME, Belfast*

A47. To combat this, some interviewees carry multiple SIM cards with them at all times and have learnt which networks charge international rates in different locations and swap SIM cards accordingly. However, even though they have learnt to combat this problem, there is a great deal of resentment about this and all the Northern Irish interviewees feel that they should not be financially penalised for where they live.

Handsets

A48. For most, cost and coverage are the overriding concerns when choosing a mobile phone. However, for the young especially, the type of handset they choose is also of fundamental importance. For many, their parents will dictate what network provider their child chooses (often the same as the parents themselves in order to benefit from cheaper calls); and also the tariff (usually pay as you go so as to keep spending in check). Aside from this, the child themselves has a free rein – within a budget set by the parent – to choose their handset.

A49. More than any of the other groups studied for this project, young people find the handsets to be a critical factor when choosing a phone package. Not only does the handset have to look good but it should also be able to send pictures and have other accessories such as mp3 compatibility, downloadable games and polyphonic ring tones.

A50. For the young interviewees, their handsets offer a large degree of social cachet, while peer pressure certainly influences their choice. Some go as far as to say that if they did not have the latest handsets then they would be excluded from their social circle.

Case study

A 14 year old Welsh boy saw it as critical that his handset was up-to-date and capable of sending MMS. He feels that if he did not have such a phone then he would be left behind and cut off from his group. Crucially, he sees his phone as a cohesive tool that binds him and his friends – it is not simply something that they use to keep in touch with each other but it is also an object that they can talk about and gain credibility from owning.

Information overload

A51. In terms of mobile phones, there is an overall sense amongst consumers interviewed that they are overwhelmed by information. They receive information from a variety of sources – the media, advertising and also their friends and family – and find it difficult to sift the relevant information from the 'background noise'.

A52. As well as asking for a mechanism which would filter information for them, many interviewees want to see more targeted information that could help them make the right decisions – such as an easy comparison between network providers detailing information about call charges at peak and off-peak hours, text message costs and how expensive it is to call cross-network.

A53. A number of interviewees also complain that in spite of all the information on offer, there is no way of making sense of the various charges – line rental, call costs, VAT etc – until the final bill arrives. As a result, some would like to see the providers supply sample bills for each tariff so potential customers can gauge, at a glance, what they are paying for and how to differentiate between the different costs.

The impact of mobile phones

A54. Many interviewees raised a number of concerns about mobile phones – the most obvious being health fears. However, it should be noted that these are only apparent on probing, suggesting that they are not as top-of-mind as they once were when media coverage of these issues was at its peak.

A55. Of greater interest, however, are the social ramifications of an increasing reliance on mobile phones as a primary means of communication. Respondents are largely concerned for the younger generation and how they may come to lose the art of face-to-face communication as they will be so used to conversing with others via their mobile phones.

A56. Similarly, others are worried how text messaging will impact on children's ability to spell and punctuate. Some respondents state that they are so used to abbreviating words on text messages that this style of writing has transferred across to their everyday written communications.

The Internet

A57. Many interviewees see the internet as being a useful source of information and also as a valuable, extra channel of communication. However, very few of those interviewed use the internet for little more than e-mailing and information searches – apart from some of the younger respondents, there is little interest in downloading games and music and as such, the incentive to move to broadband is minimal. Consequently, many rely on dial-up connections and for those who use BT for their landline provider, it follows that they use BT as their ISP.

Information, communication, entertainment

A58. For those interviewees with families, the internet is seen as being an indispensable educational tool and a motivator to get their children to do their homework. Both parents and children alike feel that the internet is far more accessible and less intimidating than textbooks. These consumers also believe that by having this facility in their home they will be able to encourage their children to take their schoolwork seriously.

A59. The informative appeal of the internet is not limited to families alone. In fact, some of the older respondents mention how they enjoy being able to access information anonymously.

Case study

One respondent in London was diagnosed with breast cancer in 2003. In spite of the fact that the NHS provided her with a great deal of information about her condition – and also gave her details of local support groups – she decided that this was something that she wanted to research herself. As she was not yet ready to face other people, she turned to the internet as a means of privately accessing information about her condition which, in turn, demystified what she was going through. She knew what to expect in the coming months and, in a sense, this self education empowered her to make choices about her treatment that were right for her.

A60. Many also use the internet as a means of communicating. E-mail is seen as a cheap and convenient way of keeping in touch with friends and family. This is particularly true for those with family overseas using email to reduce costs and the inconvenience of international phone calls. It is interesting to note that even when discussing written e-mails, people invariably still use the word ‘talk’.

> *“I can talk to my family in Australia . . . It’s cheap and we can talk more often”*
>
> *Rural, Scotland*

Case study
One woman spoke of how her five brothers and sisters had moved to Barbados. Since she acquired the internet at home, she found it much easier to keep in touch with them – instead of calling them all individually she could now send group e-mails on a regular basis updating them on 'life in England'.

A61. Finally, the internet is seen by some as a useful source of entertainment. Young interviewees especially enjoy the ability to download music and games, and a respondent with a mobility problem also found that this kept him occupied and entertained when he was unable to leave his home. The appeal of this aspect of the internet also stretches beyond the young.

Case study
One man in his eighties spoke of how he taught himself to use the internet – and enjoys it so much that his wife has to limit him to two hours a day. Since familiarising himself with the internet he not only uses it to access news and information but also to play online cards with his son every Sunday. This has helped forge bonds between them and is something that they can share, despite not living near each other. In fact, to try and boost his 'internet allowance', this gentleman is considering buying a digital TV package so that his wife will 'have something to do' while he is on the computer.

Cost and chat rooms

A62. As with mobile phones, a number of concerns were raised about the internet, cost being the main one. Many of the internet users interviewed do not feel able to monitor their spending and – if using dial-up as most were – are often unsure of their call rates. As such, they fear that when their phone bills arrive they will end up paying more than they expect. In fact, a few interviewees did mention incidents when various pop-up sites resulted in them unwittingly paying more for their connection.

A63. Parents are also concerned about the potential threat from internet chat rooms. Although many exercise a certain amount of control over the sites that their children can access (by using blocks and password protection) some still have safety concerns. They feel that their children could still be vulnerable to viewing inappropriate content or 'talking' to people under false pretences. However, while this is a concern to some of those interviewed, it does not stop them – or their families from using the internet, and viewing it as a useful communication tool.

Broadband

A64. There is a great deal of confusion among the people interviewed for this study surrounding the definition and concept of broadband. Some interviewees rightly recognise that it allows them to use the telephone at the same time as being permanently connected to the internet and that it also speeds up that connection.

> *"The only thing I know with broadband is that you can still use your landline when somebody's on the computer"*
>
> *Older person, Swansea*

A65. Beyond this, though, there is much uncertainty about the capabilities of broadband – and even about the definition of 'broad'.

> *"Does it mean you can get broader access to the internet? You can get on more sites?"*
>
> *Disability, London*

A66. Clearly, the benefits of broadband have not been communicated effectively to some of these people, even though many of them have used the internet via dial-up connections. A number of those interviewed do not believe that switching to broadband will be advantageous to them and, as such, prefer to stick with what they have already.

A67. This particularly holds true for those running their own businesses. In some cases, these interviewees had made significant competitive calculations by thoroughly researching how much broadband would cost per month and what extra benefits they would gain from this outlay. They concluded that it would not add value to their business – despite the fact that they had access to the internet and even sometimes had their own website. Broadband access was simply not an advantage in their particular sector.

A68. It should also be stated that – as with mobile phones – some interviewees live in areas where broadband is not available, especially those living in rural areas or Northern Ireland.

Digital and non-terrestrial TV

A69. Cable and satellite TV services are widely understood by all those interviewed. Many interviewees had taken them up in their own homes as a way of widening their entertainment choices.

A70. However, as with broadband, there is still a great deal of confusion over the concept of 'digital television'. In particular, whether it refers to the 'hardware' (the television sets/set top boxes), or the 'software' (the delivery mechanism).

> *"What happens to the TVs? Will I need to buy a new TV?"*
>
> *Rural, Derry*

> *"I've got Sky Digital, but what it actually means I don't know"*
>
> *Older person, Swansea*

A71. There are similarities to the internet in terms of how far respondents understand the capabilities of the technology. Those who *do* understand and use digital TV tend to be only using a fraction of the services on offer.

A72. There is greater awareness of the interactive entertainment services provided by digital television. Many interviewees noticed the 'press the red button now' announcements during the summer's Olympic Games coverage and also through reality TV shows such as Big Brother, and there was an understanding that this service is only available to those with digital TV.

> *"What happens when you press the red button? I'm intrigued!"*
>
> *Low Income, Wales*

A73. While awareness of the communication potential of digital TV is relatively low, it is a positive finding from this study that one of the most vulnerable groups has in fact used this aspect of the technology. Interviewees with disabilities are much more likely to have used digital TV to e-mail people and to buy products than other interviewees.

The digital switchover

A74. Almost all of the interviewees have very little or no knowledge of the proposed switchover from analogue to digital. They are not overly concerned about it but nor do they know how to prepare for the change. Many are confused about whether they will need a new television set or whether a digital set top box will suffice. Most are also unaware of when this change will happen.

> *"I thought it had already happened!"*
>
> *BME, Cardiff*

A75. While the digital switchover is not a top-of-mind concern for the interviewees, its implications do impact on them – and on their finances. Many state that they cannot afford a new television set should this be a requirement and also do not see why they should be forced into buying one.

> *"Some people can't afford to do it either. I mean, I couldn't buy a new TV"*
>
> *Disability, Exeter*

A76. As such, there is a need here for clear communication explaining what exactly digital television is and what benefits it can bring. From this research, it is clear that many of the groups that are of interest to the Panel would need to be informed as to why and when the switchover is happening, how it will affect them, what they will need to do, and how much it will cost.

A77. One of the key questions is how this information should be communicated. Many of those interviewed feel that it would be essential for any information to come from a trusted and authoritative source. However, a number of them feel that 'the government' is not one of those sources and, as such, is not an appropriate spokesperson for communicating this message to a wide audience.

A78. Some people, however, mention having seen information about Freeview on the BBC and – as it is still one of the most trusted institutions in Britain[38] – there could be a role for the Corporation in terms of preparing people for the switchover. For many, the BBC is a respected institution and, furthermore, is seen as being authoritative – partly a by-product of its longevity. Given the high-levels of recall associated with the Freeview information advert, some feel that the BBC is ideally placed to communicate more general messages about the switchover to the public.

[38] Research undertaken by MORI shows that 59% of the general public would describe the BBC as trustworthy and only 26% stating that it is untrustworthy. MORI interviewed 982 adults aged 18+ over the telephone between 25 – 27 July 2003. Data are weighted to match the profile of the population.

Comparison with Ofcom's Research

B1. Ofcom published the second phase of its Strategic Review of Telecommunications in November 2004. As part of its programme of evidence gathering Ofcom conducted extensive quantitative research with over 6000 consumers, focusing on residential consumers, sole traders, small and medium sized enterprises (1 to 249 employees), and large businesses (250+ employees). The research was conducted between May and June 2004. The key purpose of these surveys was to assess any changes in consumers' use of telecommunications, alongside their attitudes and behaviour in terms of satisfaction and use of suppliers.

B2. This overview makes a comparison between data collected in Ofcom's and the Consumer Panel's research. As outlined below where common themes appear across surveys results are broadly similar, and any differences are explained by the varying methodologies between surveys.

Ownership and use of services – UK level

B3. The Consumer Panel's research reports that most residential consumers have access to voice communications – with almost universal home ownership of landlines, and that most adults now use a mobile phone. The study also indicates that over half of UK homes have access to the internet and around a fifth use a broadband connection. Digital TV (DTV) penetration is reported as owned within nearly 6 in 10 UK homes. Ofcom's research supports these findings and also reports a significant rise in ownership of both mobiles and the internet including broadband access, alongside more frequent use of both services over the past 12 months.

Ownership and use of services – across the nations and in rural communities

B4. Ofcom's Consumer Panel represents the views of consumers across the nations and specifically in rural communities. As such the sample is designed to enable robust analysis of these areas. Ofcom collected data across the nations throughout 2004 and has expanded its 2005 residential research programme to enable robust samples and continuous tracking in the nations. Ofcom's combined findings for 2004 from across the nations are broadly consistent with those reported by the Consumer Panel - lower ownership of telecoms services in some nations and higher take-up of internet and DTV in others.

Use of telecoms suppliers

B5. In terms of the suppliers consumers are choosing to use for mobile and landline services, both surveys report broadly consistent levels of changing supplier. However, the surveys differ in terms of their reporting on use of indirect suppliers such as One.tel or Talk-talk for calls made using the landline. While the Consumer Panel's survey reports the proportion of consumers *currently* using an indirect supplier, Ofcom's data reports the proportion of consumers that have *ever used* one.

Satisfaction with telecoms suppliers

B6. Both the Consumer Panel's and Ofcom's research report relatively low levels of 'dissatisfaction' with telecoms suppliers. However, the Consumer Panel data reports a lower proportion of 'satisfied' consumers across all services. This is explained by the data reported by Ofcom being *spontaneous* supplier satisfaction influenced only by aspects of service that the consumer remembers at the time of questioning.

B7. The Consumer Panel's data however, reports *prompted* satisfaction which is obtained following a series of questions relating to satisfaction with various aspects of telecoms services. The aspect that appears to have had most influence on overall satisfaction in the Consumer Panel's study is 'suppliers ensuring consumers are on the best deal'.

Small and medium sized enterprises

B8. The Consumer Panel's SME study focussed on sole traders and small businesses (2-10 employees). The findings were broadly similar to those Ofcom found for these sub-groups from the research supporting Ofcom's Strategic Review of Telecommunications.

Glossary

3G
Third Generation (3G) mobile systems provide high-speed data transmission and supporting multimedia applications such as full motion video, video conferencing and internet access.

Broadband
An internet service or connection generally defined as being 'always on', and providing bandwidth greater than 128kbit/s.

Digital radio
DAB – Digital Audio Broadcasting is a new transmission signal bringing the benefits of digital technology the radio. DAB technology converts music or speech from analogue signal into digital (binary) code. This vastly reduces the potential for the broadcast to be corrupted during transmission by weather conditions, and other problems that can degrade the quality of reception.

DSO
Digital Switchover.

DTV - Digital Television
Digital Television is a more efficient means of broadcasting than analogue. Images and sounds are transmitted as compressed data, which means that more services can be delivered in less space. This extra capacity (or bandwidth) can then be used to provide extra TV or radio channels. Digital TV also enables transmission of pictures in widescreen format, which will adjust to fit both widescreen TVs or TVs with "squarer" displays. This removes many of the cases where black bands appear at the top and bottom of the screen, or where the picture can appear stretched[39].

ISP
Internet Service Provider - a company that provides access to the internet.

MMS
Multimedia messaging services – the ability to send messages comprising a combination of text, sounds, images and video to MMS capable handsets.

SME
Small and medium sized enterprises – defined for the purposes of this research as employing between 1-10 employees.

VoIP
Voice over Internet Protocol. A technology that allows users to send calls using Internet Protocol, using either the public internet or private IP networks.

Wi-Fi
Wireless Fidelity – short range wireless technologies which allow an over the air connection between a wireless client and a base station, or between two wireless clients.

[39] Source: A Guide to Digital Television and Digital Switchover, DTI http://www.digitaltelevision.gov.uk/