Section 1

Introduction

Background

This is Ofcom’s eighth annual report on the consumer experience of telecoms, the internet, digital broadcasting and postal services. It discusses the results of our research programme, which measured how well consumers have fared over the past year in their use of these services.

This report has been published alongside Ofcom’s Consumer Experience Policy Evaluation, which considers the key findings and trends emerging from the research and uses these to assess the impact of Ofcom’s policy work and activities. This report focuses on the experience of residential consumers.

A variety of data sources were used in compiling this report: Ofcom’s communications tracking survey, its residential consumer postal tracking survey and its annual consumer switching survey, supported by a range of ad-hoc research. The following is a brief outline of the tracking research used. Full details of the Ofcom tracking research used in this report are available in Annex 1.

**Ofcom communications tracking survey**

The communications tracking survey is run three times a year. It provides Ofcom with continuous understanding of consumer behaviour in the UK communications markets, helping us to monitor change and assess the degree and success of competition.

**Ofcom consumer switching survey**

Ofcom has run a survey of consumer decision-making since 2006, covering consumers in each of the fixed-line, mobile, fixed broadband and multichannel television markets, including bundle purchasers. Its main objective is to track the extent to which consumers participate in the communications markets. This survey is Ofcom’s key data source for monitoring switching and satisfaction in communications markets.

**Ofcom residential consumer postal tracking survey**

The residential postal tracker is run throughout the course of the year and reported on a quarterly basis. The main objective is to help Ofcom to keep abreast of the UK postal market and to help us to quickly identify and react to any changes in attitudes and behaviours in the postal industry.
The scope

This report analyses the overall experience that consumers have had of the communications markets, in four areas:

- telecoms (fixed-line and mobile);
- internet (largely focusing on fixed broadband);
- digital broadcasting (television and radio); and
- postal service

In summary the report covers the following areas:

**Changing use of communications** – overview of the key changes occurring across the communications markets and the postal sector.

**Consumer segmentation** – overview of recent research designed to segment consumers in the communications market according to their attitudes towards, and engagement with, communications technology and services.

**Availability of services and providers** – details the range of options and coverage of providers and services; e.g. 3G mobile and superfast broadband.

**Take-up of services and devices** – demographic analysis of what services and devices consumers have, and consumers’ use of postal services.

**Consumer choice and value** – with a focus on purchasing and pricing, this research covers how consumers are choosing to purchase the services they have, how these are changing (e.g. bundles\(^1\), contracts) how UK prices have changed over time and how they compare internationally.

**Consumer interest and activity** – provides the latest update on consumer participation including switching levels, ease of switching across the communications markets, and satisfaction with current services and providers.

**Consumer protection** – highlights the latest consumer protection issues and where there may be a need for intervention.

The report looks across various demographic groups, where relevant; over time, where the data are available; and across countries, where robust data are available.

We present and analyse data on take-up and some availability data at national level for England, Scotland, Wales and Northern Ireland, as we do in Ofcom’s annual Nations &

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\(^1\) Providers no longer tend to market bundles as ‘discounted’. Due to this, we adjusted the way we report ‘bundlers’. The data in the choices section are based on consumers taking more than one service from a single provider, which the consumer considers a ‘package’ of services, and no longer defines this as being ‘discounted/cheaper’.
Regions Communications Market report, last published in August 2013\(^2\). Other data in this report is presented at a UK level.

Under the Communications Act 2003 Ofcom has a specific duty to have regard to the interests of disabled consumers. In order to meet these responsibilities and to respond to stakeholder requests for better information on the experiences of disabled consumers, we have worked with the British Population Survey (BPS)\(^3\) to produce a special Consumer Experience report, which was published in September 2013. The report focuses on analysing ownership of communications services among disabled consumers, the full report can be found on the Ofcom website\(^4\). It provides Ofcom’s most robust analysis yet of disabled consumers’ household ownership of, and access to, communications services, across Great Britain.


\(^3\) British Population Survey: [http://www.thebps.co.uk/](http://www.thebps.co.uk/)

Section 2

Executive summary

This report covers many aspects of the consumer experience. The following is a summary of the key themes and highlights from this year’s research.

The changing use of communications (page 11)

- **Tablets and smartphones continue to see rapid growth in take-up.** Take-up of smartphones has continued to increase rapidly over the past year, with over half of all adults now claiming to own one (56%). Take-up of tablet computers has more than doubled over the year, rising from 12% in 2012 to 29% in 2013.

- **Just over half of consumers now report accessing the internet on their mobile.** Fifty-three per cent said they personally used their mobile phone to access the internet (up from 49% in 2012). Take-up of mobile broadband via a dongle (or built-in connectivity in a laptop, netbook or tablet) has fallen for the past two years, from 17% in 2011 to 12% in 2012 and 8% in 2013.

- **Superfast connections almost tripled over the past year.** Between Q1 2012 and Q1 2013 take-up of non-corporate superfast broadband connections increased; from 6.5% of all broadband connections to 17.5%.

- **Half of all internet users say their laptop is their most important device for connecting to the internet.** Forty-six per cent of internet users chose their laptop as the most important device to connect to the internet, followed by the desktop PC (28%). Among smartphone users, 23% cited this as the most important device, although laptops remained the most popular (43%). Among tablet owners, the preference for laptops drops significantly, with similar proportions citing laptops (34%) and tablets (32%) as their most important device for connecting to the internet.

- **Eight in ten consumers are aware of VoIP services – although only three in ten use the service.** Awareness of VoIP rose in 2013 to 83%, from 78% in 2012. Use of the service also continued to rise - with just over three in ten (31%) claiming to currently use VoIP; this is three times the level of take-up in 2008 (10%).

- **A quarter of adults (24%) claimed that their use of post had decreased in the past two years, with two thirds claiming to replace some post with email.** The second most common method was text messaging, with just over a quarter of adults (27%) using this method instead of post.

Availability of services and providers (page 29)

- **Fixed line, broadband and digital broadcasting are available to nearly all consumers, with varying degrees of mobile coverage across the UK.** In 2013, using data taken from network operators planning tools, we estimated that 99.6% of premises
had an outdoor mobile signal from at least one 2G operator and 99.1% by at least one 3G mobile operator.5

- **Digital terrestrial coverage is almost universal following digital switchover.** Digital terrestrial television (DTT) has near-universal coverage of 98.5% of UK households, as the UK completed digital switchover in late 2012.

- **Digital radio services are available to over nine in ten (94.4%) households.** The recent extension of the Digital One multiplex to Northern Ireland has increased the proportion of UK households that are able to receive these services. Following the launch of new multiplexes around the UK, the proportion of UK households that are served by local commercial multiplexes has also increased; from 66.4% to 71.7%.

- **Consumers are able to choose from a wide range of communication providers.** The number of communication providers remained fairly stable in 2013. There are at least 13 major suppliers of bundled residential communications services, 114 fixed line operators and 4 mobile network operators. There are currently 519 television channels, 13 of which are public service channels and their HD and +1 variants, with the remaining 506 being commercial channels. Consumers have 553 analogue radio services in the UK, including local and UK-wide commercial stations, BBC local, UK-wide and community stations, and 212 stations available on DAB, of which 50 are digital-only brands.

**Take-up and use of services and devices (page 39)**

- **Fixed-line ownership has stabilised in the UK.** Following the decline in fixed-line ownership seen in 2009, ownership levels have remained at 84% for a fourth consecutive year.

- **Mobile-only households continue to be younger consumers and from the DE socio-economic group.** The majority (79%) of households continue to own both a fixed line and a mobile phone, with a further 4% fixed-line only and 16% mobile-only. Just over a quarter (27%) of 16-24s and those in DE (28%) socio-economic group are in mobile-only households. Mobile-only households also continue to be more prevalent in urban (17%) than in rural areas (9%).

- **Take-up of the internet remains stable, with four in five (82%) households able to access the internet at home.** Seventy-eight per cent of households use either fixed and/or mobile broadband, 4% have access only via their mobile phone and 1% use a dial-up internet connection. Total use of fixed broadband remains unchanged at 74% of adults, with a further 4% using mobile broadband only.

- **There was a significant decrease in the number of consumers who ever use mobile broadband outside the home.** Ninety-five per cent of adults with mobile broadband via a dongle (or built-in connectivity in a laptop, netbook or tablet) say they use it at home. In 2013 there was a significant decrease in the number of consumers who ever use mobile broadband outside the home (60% versus 77%) and an increase in those who only use mobile broadband in the home (38% vs. 22%).

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5 We recognise that the planning tools are subject to a margin of error and local factors, such as tall buildings or trees, can affect the signal at different locations. In addition, the quality of mobile services are affected by factors other than signal strength, such as network capacity, number of simultaneous users and quality of handset. In 2014 we will be undertaking work to measure the actual consumer experience.
• **Around half of all UK adults access multi-channel television at home through Freeview.** Thirty-seven per cent of all adults only use Freeview to access multichannel television at home; this compares to 31% only using satellite and 14% only using cable.

• **Just under six in ten (58%) adults receive pay TV.** Following the slight decline in take-up of pay TV for some age groups in 2012, take-up has remained stable for all age groups.

• **Two-thirds of consumers claim to have access to digital radio services.** Take-up of digital services that can deliver digital radio (i.e. digital TV and/or internet) has increased to 100% of homes. Two-thirds (66%) of consumers claimed to have access to digital radio services at home (via DTV, internet or DAB radio set), as in 2012 – suggesting that around one in three are unaware that they can access digital radio services at home.

• **Just under two-thirds (64%) of postal users claim to be reliant on the postal service.** Levels of those claiming to be ‘very reliant’ on the postal service increased with age, with 18% of 16-24 year olds stating they were ‘very reliant’ on the postal service, compared to 30% of those aged 65-74 and 41% of those over 75 years old.

• **The postal price increases in April 2012 have had no impact on the behaviour of almost three in five residential postal consumers.** The claimed impact of the price rise increases with age, with over two-thirds (68%) of those aged 16-24 saying it had no impact. This compares to just over half of those aged 55 to 64 (54%), 65 to 74 year olds (52%) and those over 75 (56%).

• **Over nine in ten consumers are satisfied with the ‘delivery to neighbour’ scheme for post.** Of the 28% of postal users who had experienced the ‘delivery to neighbour’ scheme, more than nine in ten (94%) stated they were either satisfied, or very satisfied, with the scheme, with over three in four (77%) being very satisfied.

**Consumer choice and value (page 90)**

• **The increase in bundled purchasing continues.** The proportion of consumers who purchase service bundles has risen steadily over recent years, and by Q1 2013 60% of UK homes took more than one communications service from the same provider, up from 57% a year previously. Consumers aged over 75 (27%), and those in socio-economic group DE (45%) were the least likely to bundle any communications services.

• **Average UK household spend on communications services fell in real terms in 2012.** On average, UK households spent £113.61 per month on communications services in 2012, £1.55 (1.3%) less than in 2011 and £12.28 (9.8%) less than in 2007. This was equivalent to 5.4% of total household spend in 2012, slightly lower than in 2011 and unchanged from 2007.

• **The average revenue of residential broadband connections increased by 1.2% to £16.38 per connection in 2012, largely due to take up of superfast broadband.** Increasing average revenue per residential fixed broadband connection is to a large extent a result of consumers switching to superfast broadband services, (i.e. those with an advertised speed of 30Mbit/s or more), which typically command a price premium

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6 Or 3.4% of average gross annual income.
over standard broadband services. In the year to May 2013 the proportion of UK residential fixed broadband connections that were superfast increased from 8% to 19%.

- **The premium price for superfast broadband services is falling.** Our analysis shows that the lowest available prices for a basket of fixed voice services with a standard fixed broadband connection, and the price for the same fixed voice services with a superfast broadband connection, both continued to fall in the year to July 2013. The rate of decline in the price of the basket including superfast broadband (8.2%) was higher than that of the standard broadband basket (3.2%) in 2013, and the difference between the lowest price available for each of the baskets (i.e. the premium for superfast broadband services) was just over £8 per month, down from £10 per month in 2012 and £12 per month in 2010.

- **UK mobile prices fell for most of the usage profiles used in our analysis in 2013.** Our analysis shows that the total 'weighted average' price of eight mobile connections with varying use of voice, SMS and data services fell by just under a quarter (22.6%) in real terms in the year to July 2013. The weighted average price of all but two of these connections fell during the year.

- **Stand-alone pay-TV prices increased in the year to July 2013.** The lowest price available for a stand-alone basic pay-TV service increased by 7% to £12 per month in 2013, although this was lower than the lowest price of a similar service in 2008 (£16 per month). The lowest price available for stand-alone HD premium pay-TV services was £66 per month in 2013, up from £55 in 2008 and an 8% increase since 2012.

### Consumer interest and activity (page 123)

- **A fifth (20%) of consumers switched at least one communications service between Q3 2012 and Q3 2013.** Overall, yearly switching levels remain broadly unchanged at around one in ten in each of the fixed-line (9%), mobile (11%) and fixed broadband (9%) markets. The total level of switching main digital TV provider remains lower, at 3%, and 4% among those with a pay-TV service. A quarter of all switchers switched multiple services at the same time – not significantly different to 2012.

- **Around a fifth of consumers are classified in this report as ‘engaged’ in the telecoms markets.** Engagement levels stand at around a fifth in each of the fixed line (17%), fixed broadband (18%) and mobile (20%) markets, but remain lower and unchanged at just over one in ten (12%) in the digital TV market.

- **The level of engagement among standalone fixed broadband and fixed line purchasers has fallen.** In the fixed broadband market this has been driven by falling levels of engagement among standalone purchasers (down 9pp to 15%) while engagement among bundlers is stable (19%).

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8 Here we compare two service combinations: a fixed line with 400 minutes of outgoing voice calls along with a fixed broadband connection with a minimum headline speed of ‘up to’ 4Mbit/s and 15GB of data use per month, and a combination which is identical to the first in all respects other than that it requires a superfast broadband connection (i.e. one with a headline speed of at least ‘up to’ 30Mbit/s).
9 The weighted average is calculated using the lowest available prices available among tariffs offered by the UK’s three largest mobile providers (EE, O2 and Vodafone), weighted by their market shares.
10 Consumers classified as ‘engaged’ may have switched previously and are currently open to the idea of a new provider.
• **Cost and poor service are both common reasons why consumers say they switch communications provider.** Cost was stated by between 54% and 62% of switchers in each of the fixed voice, fixed broadband, mobile and digital TV markets. ‘Poor service’ was mentioned as a reason for switching by around half as many in each market, ranging from 20% in the mobile market to 29% in the fixed broadband market.

• **In the mobile market ‘reception’ (15%) and ‘handsets’ (13%) are market-specific factors that drive consumers to switch provider** with a minority switching ‘in order to obtain a 4G service’ (5%). The desire for ‘faster speeds’ is a key driver among fixed broadband switchers (15%), as is the ‘choice of channels’ for TV switchers (18%).

• **Satisfaction is increasingly mentioned as the main reason for not switching.** Between 6-8% of consumers across the communications markets said they started looking but did not switch. In all except the digital TV market (where perceived lack of cost benefit is the highest stated reason for not switching), satisfaction is one of the most-mentioned reasons for not switching provider, among those who have only considered doing so. Around three in ten consumers who ‘looked but didn’t switch’ in each of the fixed voice, fixed broadband and mobile markets cited satisfaction as the reason they didn’t. These proportions have risen significantly since 2012.

• **A minority (around one in ten) of switchers, who spoke to their previous provider, said they were put under pressure to stay.** Contact with losing providers is most common among fixed line and fixed broadband switchers, where around three-quarters (73% and 76% respectively) said they had been in contact with their previous provider. This contact is mainly initiated by the consumer. In comparison, contact with losing providers among considerers is lower, at around two in five.

• **Most switchers said they were happy with their decision to switch, but considerers were less happy with their decision not to.** Between 4-9% of switchers said they were unhappy with their decision to switch in each of the markets; this was highest in the fixed broadband market. Happiness with their decision was lower among considerers in each market, and at its lowest among fixed broadband considerers, where three in ten (29%) said they were ‘unhappy with their decision’.

• **The majority of switchers (between 84% and 92%) considered it very or fairly easy to switch provider.** But for some switchers (between 6% and 14%) changing provider was ‘difficult’. The fixed broadband market continues to have the highest levels of stated difficulty in switching, at 13%. Ease of switching telecoms provider remains broadly comparable with utilities. Seven per cent of switchers in each of the gas and electricity markets said switching was difficult, which is comparable to that noted among fixed line (9%) and mobile switchers (8%) but lower than reported among fixed broadband switchers (13%).

• **However, when prompted, half of switchers said they experienced some difficulties when switching provider.** Stated difficulties varied by market. ‘Provider persuasion to stay’ was one of the most common issues reported in both the fixed broadband and fixed voice markets.

• **The majority of consumers remain satisfied with their services overall, with dissatisfaction highest for fixed broadband, at one in ten.** Dissatisfaction stands between 5% and 11% across markets. Levels of overall satisfaction remained fairly consistent between 2012 and 2013 across each of the communications markets, with little variation in dissatisfaction across demographic groups within each market.
• Dissatisfaction with value for money is highest among fixed broadband standalone purchasers (16%), and bundlers (14%). The only significant change in satisfaction levels has been among bundlers, where dissatisfaction now stands at 14%, nearly twice the level reported in 2011 and 2012 (8%).

• Dissatisfaction with broadband speeds in rural areas is nearly twice the average (32% vs. 18%). ‘Engaged’ and ‘interested’ consumers were also more likely to state dissatisfaction with the speeds of their fixed broadband service (26% and 19% respectively).

• Just under nine in ten (87%) adults are satisfied with the postal service overall. Those aged over 75 were the most likely to state they were satisfied with the postal service (93%). Two-thirds of postal users are satisfied with the value for money provided by the postal service.

Consumer protection (page 161)

• Broadband customers are the most likely to claim they had a reason to complain (14%), followed by mobile (9%) then landline (7%) customers. Not all of these consumers proceeded to make a complaint. In total, 9% of broadband customers said they had made a complaint (this equates 73% of those with cause to complain) and compares to 6% among mobile customers and 5% among landline customers.

• Telecoms issues dominate complaints to Ofcom, with levels broadly in line with 2012. The level of telecoms complaints is similar to 2012, at between 6000 and 7000 per month, although some categories have fallen. This compares to about 1000 complaints about broadcasting standards and around 40 per month relating to postal services.

• Complaints to Ofcom about abandoned and silent calls peaked in April 2013 and have declined since then. In October 2013 there were 2,857 complaints, this followed a peak of 3,900 in April 2013. Ofcom’s market research has found that experience of nuisance calls fell between February, when eight in ten (82%) people reported receiving a nuisance call on their landline in the previous four weeks, and July, when seven in ten (68%) people reported a nuisance call on their landline. It has remained broadly constant since then.

• The issues causing unexpectedly high bills (UHBs) in the mobile contract market remain broadly unchanged from last year. Making calls to numbers not included in the call allowance, and lost/stolen mobiles remain the main cause of UHBs in the mobile contract market, each at 3% of mobile contract customers. Exceeding voice allowance (1%) and using data without an allowance (1%) are the next most common causes.

• The average amount of bill shock in the mobile contract market shows signs of decline11. In 2013 the mean average amount of bill shock12 in the mobile contact market was £40, compared with £46 in 2012. However, many UHBs in the mobile contract market were for less than this average, which is influenced by a small proportion of bills at the higher end of the scale (i.e. £100+ more than expected).

• Complaints about fixed-line and mobile mis-selling have decreased over the past twelve months. From a peak of 1200 complaints in April 2005, the downward trend in fixed-line mis-selling complaints has continued over the past year, with overall fixed-line mis-selling complaints averaging 442 per month for 2013. Mobile mis-selling has also

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11 Source: Ofcom face to face omnibus, February/ March 2012, based on the responses of 263 mobile contract customers and March/ April 2013, based on the responses of 239 mobile contract customers

12 This refers to the amount by which the bill was higher than expected, and not the total amount of the bill.
decreased over the past 12 months, from a peak of 270 complaints a month in October 2008 to around 190 a month in 2013. Furthermore, since their high of around 60 complaints per month in 2008 monthly cashback complaints have significantly reduced to single digits over the past two years.

- **Complaints received about MAC codes**\(^{13}\) have declined significantly since its peak in 2007, to 100 per month on average in 2013. From a peak of 843 complaints in March 2007 there has been a general downward trend, which has stabilised at between 60 and 130 complaints per month since April 2011. Between October 2012 and October 2013 the average monthly number of complaints about this issue was around 100.

- **Broadcasting complaints to Ofcom continue to focus on content standards.** In October 2013 there were 1,642 broadcasting complaints, of which 1,581 were about television and 61 were about radio. These levels were broadly in line with those seen in 2012.

- **A minority (15%) of those eligible were referred to alternative dispute resolution (ADR)**\(^{14}\) by their provider, with higher satisfaction with outcomes noted among those who used the ADR scheme. Overall, 29% of eligible complainants were satisfied with the final outcome of their complaint; this compared to just under half (47%) of those who used the ADR scheme.

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\(^{13}\) Migration authorisation code (MAC) is a unique code that a customer must give to his or her new broadband service provider, to allow the service to be transferred smoothly from the existing service provider.

\(^{14}\) Alternative dispute resolution (ADR) schemes act as an independent middleman between the service provider and the customer. If the ADR scheme agrees with your complaint, it can order the service provider to fix the problem and could potentially make a financial award. It is a requirement that all service providers are members of an ADR scheme.