

## **Summary of Survey of Consumer Switching Behaviour in Telecommunications Markets**

In 2011 the Commission contracted Roy Morgan Research to undertake a demand side survey of consumer switching in New Zealand. The survey was primarily concerned with identifying and assessing the extent to which consumers switched telecommunications service providers, why consumers switched, barriers to consumers switching, and consumer satisfaction with the switching experience.

Consumers' ability to switch telecommunications service providers increases competition in telecommunications markets. The threat of switching leads to increased competition, and consumers benefit from that competition through cheaper, better services, and greater choice. Barriers inhibiting switching are likely to result in less competition, higher prices, poorer services and less choice.

The Commerce Commission is required<sup>1</sup> to monitor competition and the performance of telecommunications markets in New Zealand. The Commission is authorised to conduct studies and inquiries, and to publish reports, on telecommunications markets and competition. The Commission has historically focused on supply side indicators of the extent of competition. However, competition is also affected by demand side factors. If few customers are able and willing to switch their telecommunications service provider, this will hinder the ability of market participants to expand.

The survey was undertaken in two stages. The first stage involved analysis of data from Roy Morgan's annual survey of consumer behaviour (known as the 'Single Source' survey), for the period November 2010 to April 2011. This enabled some comparisons with Australia. The second stage involved customised telephone interviews with 1,053 consumers of mobile and fixed-line telecommunications services, undertaken in October and November 2011 (the 'customised survey').

The study indicates that switching barriers do not appear to be significant. The Commission will continue to monitor customer switching to assess whether barriers to switching arise that might undermine competition in telecommunications markets.

The main findings, contained in Roy Morgan Research's report *Consumer Switching Behaviour in the Telecommunications Market*, were:

- the main reason stated for fixed-line switching in New Zealand has been broadband service improvement, primarily cheaper prices (41% of those switching), followed by larger data caps (33% of those switching)
- the main reason stated for mobile switching was cheaper rates
- nearly 14% of mobile consumers had switched in the previous 12 months

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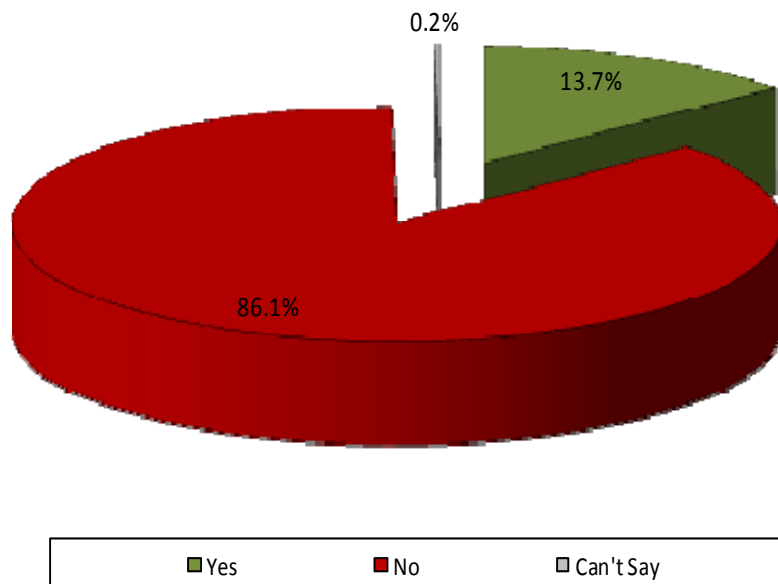
<sup>1</sup> Section 9A, Telecommunications Act 2001.

- inertia and customer satisfaction with their existing service provider were the main reasons given for not switching mobile service providers
- early termination charges were identified as a barrier by only 14% of those mobile post-pay respondents who had thought about switching but did not switch
- respondents who had switched mobile service providers overwhelmingly indicated a positive customer experience of switching
- fixed-line switching was around 10%

Following are key figures taken from the Roy Morgan Research report indicating the extent of consumer switching, the reasons for switching and not switching, and customers' switching experience.

## Mobile Switching in the past 12 months

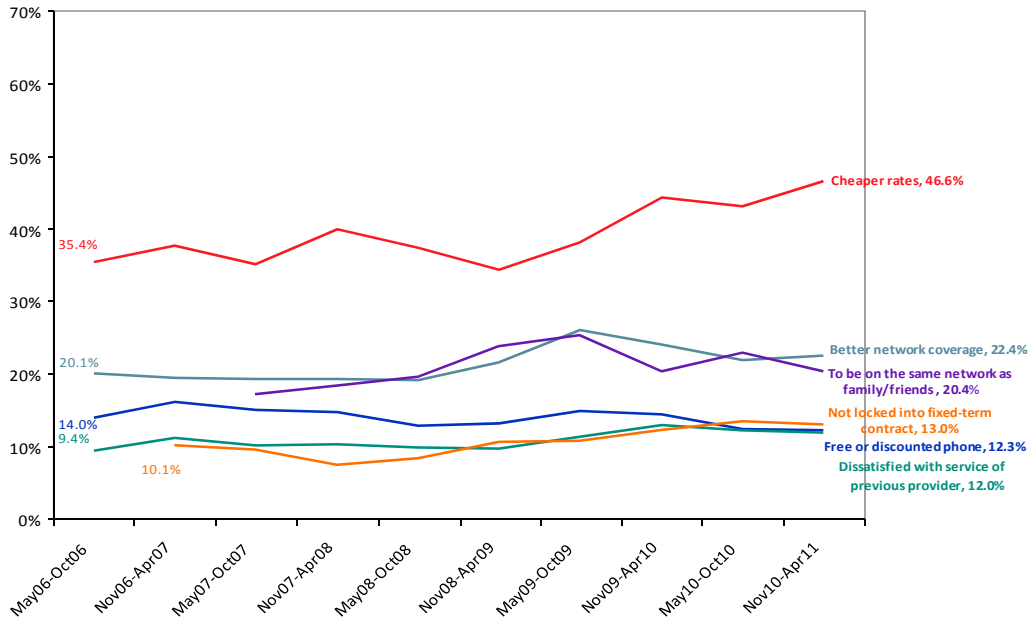
13.7% of the customised respondents had switched mobile phone service provider in the preceding 12 months.



Base: Has mobile phone, n=1,025

## Reasons for switching mobile – (May 2006 – April 2011)

Obtaining 'cheaper rates' was consistently the most cited reason for switching over the period from May 2006 to April 2011.

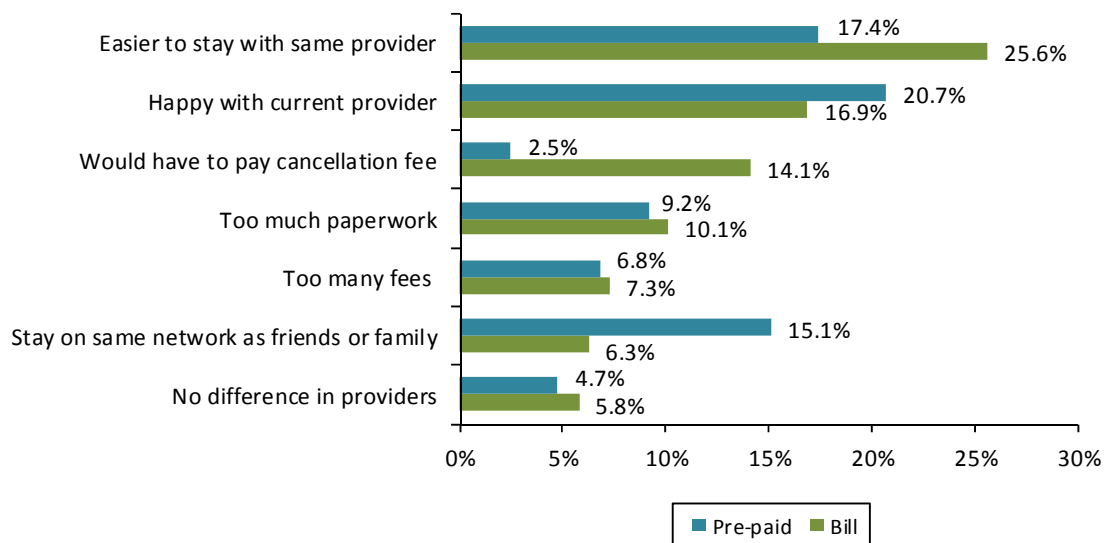


Base: Single Source data: Main Mobile User & Switched Provider Aged 14+ (May 2006 – April 2011), n=14,882

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## Thought about switching but haven't – the reasons: pre and post-pay compared

Of those who had thought about switching but hadn't, more post-pay (bill) customers indicated that it was 'easier to stay with same provider' than pre-pay customers. Just over 14% post-pay customers gave having to pay a cancellation fee as a reason for not switching. Significantly more respondents on pre-paid than post-paid indicated that to 'stay on same network as friends and family' was a reason for not switching.

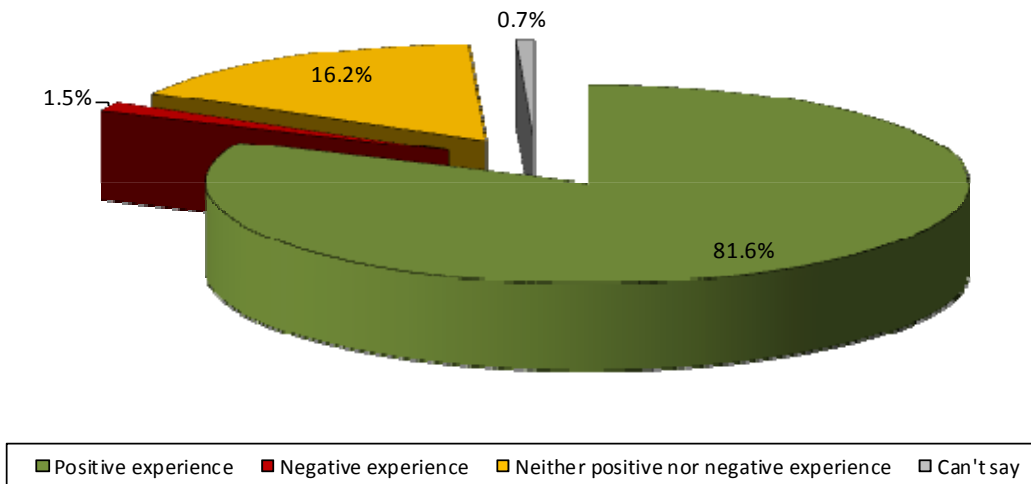


Note: percentages do not add up to 100% because multiple responses were permitted.

Base: has mobile phone and has not switched mobile phone service providers in the past 12 months, but has thought about it. Pre-pay sample =119, post-pay sample 107. Total=226.

## The mobile switching experience

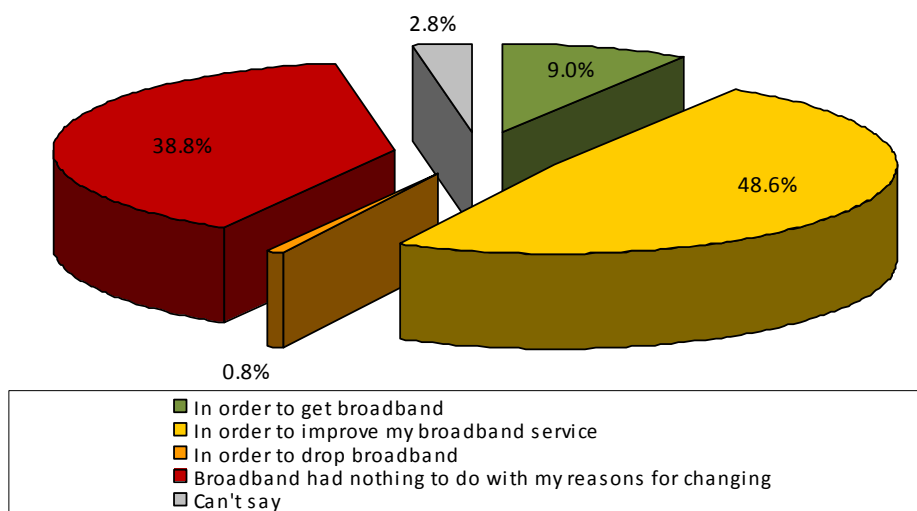
The overwhelming majority (81.6%) of mobile phone users who had switched service providers indicated that switching providers had been a positive experience.



Base: Has mobile phone and switched mobile phone service providers in the past 12 months, n=137

## Reasons for switching fixed-line service

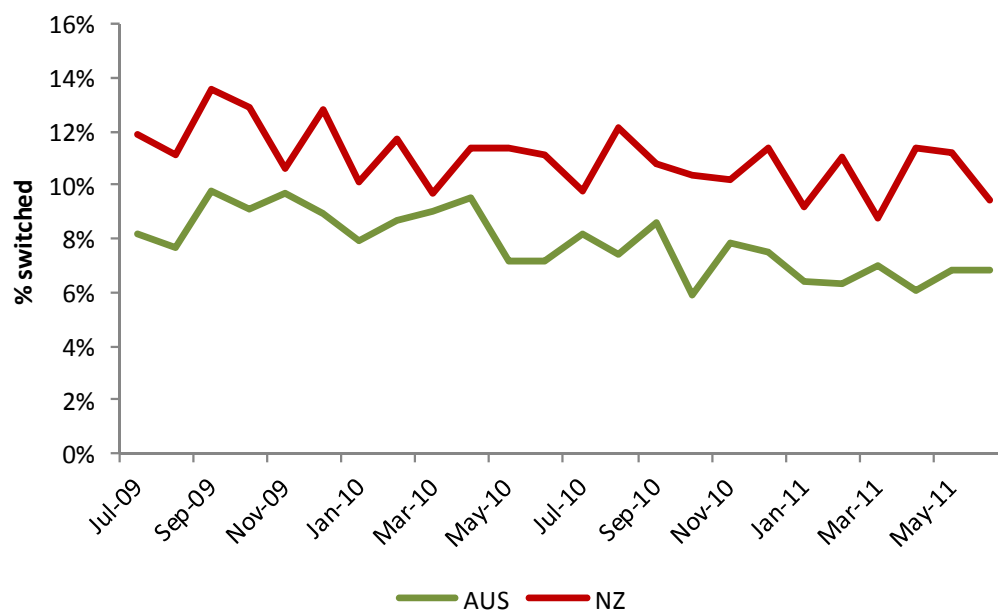
The most significant reason given for switching fixed-line services by respondents was improvement in broadband service. Nearly half of respondents (48.6%) gave this as a reason for switching.



Base: Has fixed line and switched in past 12 months, n=247

## Fixed line switching - comparison with Australia (July 2009 – June 2011)

Fixed-line switching was consistently higher in New Zealand than in Australia. In both countries a downward trend in fixed-line switching was observed over this period.



Base: Pop 14+ with Fixed line (July 2009 – June 2011) for NZ n=23,031 and for AUS n=33,332.

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