

UMR Research

Competition for Business Customers in the Mobile Industry: A Report for the Commerce Commission

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Executive summary

■ Overview

Overall satisfaction with current mobile service providers is high, and market concentration is evident with Vodafone and Spark dominating. The overall number of businesses 'primed' to switch is also low - only 4% are actively looking for a new provider and 10% intend to look for one when their contract is up.

In addition, only a low proportion of respondents claim their mobile costs are significant compared to their other overheads. This may be suppressing motivation to seek out and compare providers.

Most decisions to consider a provider change are prompted by a direct sales approach or expiry of a contract, though other triggers are also evident. These include serious service issues such as poor coverage, a high bill, or slow response to service calls, the development of a particular business need, or curiosity arising from advertising.

Key barriers to switching are satisfaction with the current service and price, being under contract, the perceived hassle involved, and good coverage provided by the incumbent.

In the follow-up qualitative research, the concentration in the business mobile market is explored in more depth. In general, incumbents credit the heavy concentration across Spark and Vodafone to good service, apathy to change given the low input cost of mobile services, and for some, a relatively high level of perceived hassle to change given the complexity of their businesses. These reasons appear to explain the concentration despite respondent perceptions of market competitiveness.

Further, for businesses that do go on to investigate other providers seriously, 2degrees is frequently ruled out by a specific desire or need with regard to bundling or a particular service e.g. provision of a landline. The flip-side is that one or other of Vodafone or Spark are sometimes ruled out at this stage in the decision-making process as the result of a negative historic experience.

For those providers surviving this preliminary screening stage, consideration is then typically given to four main factors: coverage, cost, customer service, and confidence.

2degrees loses heavily on perceptions of coverage and confidence and is not considered far enough ahead on cost and customer service to be competitive overall. They are weakest on 'confidence' with many not aware of their experience in the business market and the ability to cater to the needs of businesses. Longevity is also an issue with many saying that ten years was the milestone they viewed as the length of time required to show that a company is established and likely to be around for the long haul.

Nevertheless, there appear to be good opportunities (particularly indicated in the final qualitative phase) for 2degrees to expand market share.

Objectives and method

1.1 Background

The Commerce Commission (the Commission) is New Zealand's primary competition regulatory agency and is an independent Crown entity. The Commission operates and enforces the statutory framework that promotes competition in New Zealand.

The Commission's purpose is to achieve the best possible outcomes in competitive and regulated markets for the long-term benefit of New Zealanders.

A characteristic of a healthy competitive market is the ability of businesses to enter and develop a presence in a market. In the New Zealand mobile market there are currently three retail mobile carriers: two (Spark and Vodafone) that could be described as having an established broad market presence; and a third (2degrees) which is a relatively recent entrant having a significant (around 25%) share of the consumer pre-pay market, but a negligible share of the business post-pay market (around 3%).

The business end of the market tends to have the more valuable customers with higher 'average-revenue-per-user' indicators. Penetration at this end of the mobile market is likely to be a significant factor in developing and expanding a presence in the market. Failure to expand into this end of a market could potentially affect the long-term viability of an entrant.

Part of the Commission's role under the Telecommunications Act is to monitor the performance and development of telecommunications markets. In considering the development of telecommunications markets, the Commission considers both market entry and the ability for a new entrant to expand.

1.2 Objectives

The overall objective of the research is to gain a more comprehensive understanding of the New Zealand business mobile market and to understand in more detail if there are any barriers to expansion, including (but not limited to) impediments to customers switching providers and perceptions of mobile provider quality such as service delivery.

The research investigates whether anti-competitive behaviour and/or structural, legal or systemic factors exist in the market that are inhibiting the dynamics of the business segment from developing beyond the static distribution of market share that has been observed for the past few years.

1.3 Methodology

The research comprised the following stages of research – preliminary qualitative research, quantitative research, and targeted qualitative research. This represents a ‘triangulated’ methodological approach and involves data generated by qualitative and quantitative methods that are triangulated with a defined research question or focus. This approach tests the validity of findings by checking that there is convergence in conclusions across both methods and more importantly, provides a broader understanding of the subject matter. The rationale for each research component is outlined following.

Preliminary qualitative research (12 depth interviews): While a literature review is a common starting point, it was decided in the current situation, given particularly time constraints and limitations on available literature, to use a small number of preliminary in-depth qualitative interviews. These interviews identify key themes and the focus for the questions and specific issues to explore in the phases that follow.

Quantitative research (telephone survey, n=400): The subsequent quantitative research builds on and extrapolates the understanding of the identified key themes in a broader and numerically significant sense from the preliminary qualitative stage.

Targeted qualitative research (20 depth interviews): The final qualitative stage provides a deeper experiential sense to the overall findings. In a complementary fashion, the follow-up interviews with individual participants are used to explore specific opinions and experiences in more depth. This strategy has the advantage of first identifying a range of experiences and perspectives, and then drawing from that pool to add more depth of understanding where needed.

1.3.1 Sampling for the research

A wide range of participants are included in the research. The sample and criteria for each stage of research resulted from discussion between the project team and a review of the demographics of the New Zealand business population.

■ Population statistics

Looking at geographic location there is a clear concentration of businesses in urban locations with key centres making up two thirds of businesses – Auckland (33%), Waikato (10%), Wellington (10%), and Christchurch (13%).

- This also aligns with the urbanisation of New Zealand’s population with 85 percent of New Zealanders living in a main, satellite or independent urban area.
- As a result the research is weighted to urban locations but included major and provincial cities. Rural locations are included but to a lesser extent with a focus on areas of higher economic activity such as heavily agricultural areas.

Self-employed businesses with no employees make up a large proportion of New Zealand businesses but are omitted from the study as they are seen to be more closely aligned to the residential market rather than the business market. The next largest group are businesses with 1 to 5 employees (21%) followed by those with 6 to 9 (5%), 10 to 19 (4%), 20 to 49 (2%), and those with 50 or more employees (2%).

- However, businesses with 50 or more employees employ 44% of all employees in New Zealand. The remaining employees are spread across the range of business size – 18% coming from businesses with 20 to 49 employees, 14% from businesses with 10 to 19, 10% from businesses with 6 to 9 employees, and 14% from those with 1 to 5 employees.
- Therefore the research includes a range of business sizes and in the quantitative stage is over weighted to larger businesses given they employ a large number and are more likely to have a significant number of business mobile connections.

The largest industry sectors are 'rental, hiring and real estate' and 'agriculture, forestry, and fishing' with 21% and 14% of geographic units from these sectors respectively. This was followed by construction' and the 'professional, scientific, and technical' sectors both at 10%. The remainder were spread over a range of sectors.

- When looking at the number of employees across the different sectors, no sector was hugely dominant. The 'manufacturing' and 'healthcare and social assistance' sectors were the largest with 11% of employees coming from each of these sectors. However, it is unlikely each of these sectors has a high level of business mobile connections among their staff.
- Rather than make assumptions, the qualitative stages include a range of sectors with differing numbers of mobile connections.

Relevant population statistics are summarised in the following table.

Background Statistics

	Number	%
Region (by geographic unit)		
Northland	19,802	4
Auckland	170,624	33
Waikato	51,910	10
Bay of Plenty	33,487	6
Gisborne	4,898	1
Hawke's Bay	17,979	3
Taranaki	14,872	3
Manawatu-Wanganui	25,258	5
Wellington	53,213	10
Tasman	6,526	1
Nelson	5,822	1
Marlborough	6,863	1
West Coast	3,837	1
Canterbury	67,272	13
Otago	26,866	5
Southland	13,628	3
Total	523,043	100

Continued overleaf

Background Statistics (continued)

Size (number of employees by geographic units)		
0	343,964	66
1-5	111,649	21
6-9	27,265	5
10-19	21,662	4
20-49	12,321	2
50-99	3,729	1
100+	2,453	1
Total	523,043	100
Size (number of employees)		
0	0	-
1-5	268690	14
6-9	197640	10
10-19	288500	14
20-49	367380	18
50-99	256470	13
100+	616,660	31
Total	1,995,340	100
Industry groupings (by geographic units)		
A Agriculture, forestry, & fishing	70,511	14
B Mining	890	0
C Manufacturing	22,006	4
D Electricity, gas, water, & waste	1,513	0
E Construction	52,127	10
F Wholesale trade	20,203	4
G Retail trade	33,825	7
H Accommodation & food services	20,192	4
I Transport, postal, & warehousing	16,132	3
J Information media &	5,689	1
K Financial & insurance services	33,639	6
L Rental, hiring, & real estate	107,131	21
M Professional, scientific, & technical	54,656	10
N Administrative & support services	17,029	3
O Public administration & safety	3,823	1
P Education & training	10,195	2
Q Health care & social assistance	20,473	4
R Arts & recreation services	10,081	2
S Other services	22,928	4
Total	523,043	100
Industry groupings (by number of employees)		
A Agriculture, forestry, & fishing	118,060	6
B Mining	6,220	0
C Manufacturing	215,250	11
D Electricity, gas, water, & waste	14,610	1
E Construction	133,140	7
F Wholesale trade	106,740	5
G Retail trade	197,890	10
H Accommodation & food services	139,380	7
I Transport, postal, & warehousing	85,350	4
J Information media &	37,990	2
K Financial & insurance services	55,670	3
L Rental, hiring, & real estate	29,180	1
M Professional, scientific, & technical	157,110	8
N Administrative & support services	98,910	5
O Public administration & safety	114,010	6
P Education & training	167,060	8
Q Health care & social assistance	214,970	11
R Arts & recreation services	37,460	2
S Other services	66,350	3
Total	1,995,350	100

New Zealand Business Demography Statistics: At February 2014 (Source Statistics New Zealand)

■ Other factors

The research also included a location where there is currently relatively low churn to provide insight into why a third operator had struggled to establish a strong presence.

The research also contained businesses who had switched or had actively considered switching and others who had not considered doing so. The business market is more complex than among residential consumers with contract terms, relative input costs, company reputation, and situational factors all more likely to be driving inertia.

These audiences are included to get a good understanding of the switching dynamics across different sectors and business types.

1.3.2 Preliminary qualitative research

The preliminary qualitative research comprised 12 depth interviews with decision makers and key business personnel. The depth interviews explored and identified key themes and were critical in developing the questions used in the subsequent quantitative survey.

Depth interviews are a qualitative research tool. Qualitative research concentrates on words and observations and involves the encouragement of disclosures in an unthreatening environment.

Depth interviews are often the preferred qualitative research format for businesses as the researcher can meet respondents at their work premises and the interview can be scheduled when convenient. The depth interview format is also ideal when participants have to go into some detail about their individual circumstances (in this case, the business spend, usage, and numbers of mobile devices), attitudes, and behaviours.

The interviews were conducted from the 17th of July to the 4th of September 2015.

The specifications for the 12 depth interviews are outlined in the following table. The specifications take into account the sampling issues outlined earlier and as a result include:

- A range of business sizes (omitting self-employed businesses with no employees) and number of mobile connections
- A range of locations with more emphasis in urban/ provincial locations, including an area of low churn
- A range of sectors
- A range of switching behaviour.

Preliminary qualitative research with businesses

<i>DEPTH INTERVIEWS (12)</i>				
NO.	BUSINESS SIZE	LOCATION	CRITERIA A	CRITERIA B
1	Employ 1-9	Wellington (urban)	Mix ANZSIC	Likely to switch
2		Taranaki (provincial)		Unlikely to switch
3		Rangiora (rural)		Unlikely to switch
4	Employ 10-49	Taranaki (provincial)	Mix ANZSIC	Likely to switch
5		Taranaki (rural)		Likely to switch
6		Christchurch (urban)		Unlikely to switch
7	Employ 50-99	Auckland (urban)	Mix ANZSIC	Likely to switch
8		Christchurch (urban)		Likely to switch
9		Taranaki (provincial)		Unlikely to switch
10	Employ 100 plus	Auckland (urban)	Mix ANZSIC	Likely to switch
11		Auckland (urban)		Unlikely to switch
12		Wellington (urban)	Public administration & safety	Government department

1.3.3 Quantitative research

The quantitative research comprised of a telephone survey of 400 New Zealand businesses. Quotas were set to ensure an accurate representation of the New Zealand business population.

The sample frame and sub population quotas are based on the demographics outlined earlier and discussion with the project team.

As noted earlier for the preliminary qualitative stage, self-employed businesses with no employees are excluded from the sample.

The full sample frame is outlined following with quotas set by region and business size. It overweights the sample in favour of larger businesses so that there are adequate sub-samples to reflect the attitudes by business size.

Strict quotas by ANZSIC code are not applied to the sample frame as random sampling provided a good spread across New Zealand. This variable was closely monitoring as fieldwork progressed and a good spread of sectors is achieved in the final sample.

The overall results are weighted to reflect the actual business population.

Sampling regime

	Quotas		Unweighted		Weighted	
	n=		n=	%	n=	%
Region						
Auckland	132		130	32	119	30
Waikato	40		36	9	41	10
Other North Island: Northland/ Bay of Plenty/ Gisborne/ Hawkes Bay/ Taranaki/ Manawatu- Wanganui	88		84	21	93	23
Wellington	40		46	12	40	10
Other South Island: Tasman/ Nelson/ Marlborough/ West Coast/ Otago/ Southland	48		56	14	54	14
Canterbury	52		48	12	53	13
Total	400		400	100	400	100
Business size (by employees)						
1-5	65		65	17	249	62
6-9	65		65	16	61	15
10-19	65		65	16	48	12
20-49	65		65	16	28	7
50-99	65		65	16	8	2
100+	75		75	19	5	2
Total	400		400	100	400	100

*Weights based on New Zealand Business Demography Statistics: At February 2014 (Source Statistics New Zealand)

Fieldwork was conducted from the 3rd to the 17th of September 2015.

The margin of error for a 50% figure at the 95% confidence level for a sample size of 400 is plus or minus 4.9%.

This report makes reference to summary variables to be more concise. The glossary at the end of this report contains details on abbreviations for 'industry headquarters' and 'industry type'.

■ UMR's CATI platform:

UMR use the Quancept system which is a leading Computer Assisted Telephone Interviewing system. It is known for its power and flexibility, as well as the ease of use for supervisors and interviewers. It works in conjunction with a fully customizable sample management system, as well as a predictive dialer.

Surveys are written in computer script which allows for great flexibility as a survey does not need to be set up in a set format. The Quancept platform allows for complex routing, looping and variable question types.

■ Pre-testing

The questionnaire underwent a pilot stage where responses for the draft survey are analysed with a small sample of respondents (n=20). Any clarifications, routing changes and issues were addressed and the final questionnaire provided to the project team for final sign-off.

1.3.4 Targeted qualitative research

New Zealand has three mobile network operators (MNO): Spark, Vodafone, and 2degrees. The first two have been operating in New Zealand since the 1990s and 2degrees entered the market in 2009. All three mobile providers operate 3G networks that allow mobile broadband to be provided in addition to voice and text messages with Vodafone and Spark rolling out 4G LTE networks in 2013, and 2degrees in 2014.

These three mobile network operators are the only significant mobile retailers. While there is a handful of mobile virtual network operators (MVNOs) who rely on reselling services purchased from the mobile network operators, none have a significant number of customers. As of 2014, the total number of MVNO subscribers is only around 20,000.¹

Targeted qualitative research was conducted after the quantitative survey. This allows for greater exploration of issues uncovered in the quantitative analysis. This phase comprised 20 targeted depth interviews. The criteria are determined by respondent characteristics from the preceding quantitative analysis and the current make-up of the business mobile market.

Respondents in the quantitative survey were asked if they would be willing to take part in further research and specific individuals then included in the targeted qualitative stage.

The specifications for the 20 depth interviews are outlined in the following table. The specifications take into account the results from the quantitative stage of research and the demographic spread of the business population as outlined earlier. The criteria include:

- Individuals that we know fit into identified segments – Non-switchers, Reactive, and Proactive switchers.
- A range of business sizes
- A range of locations with more emphasis in urban/ provincial locations, but including some rural locations
- A mix of providers
- Targeting of specific switching behaviour
- Targeting individuals with specific opinions of coverage.

The interviews were conducted from the 20th of October to the 6th of November 2015.

¹ Source: Commerce Commission Annual Telecommunications Monitoring Report 2014

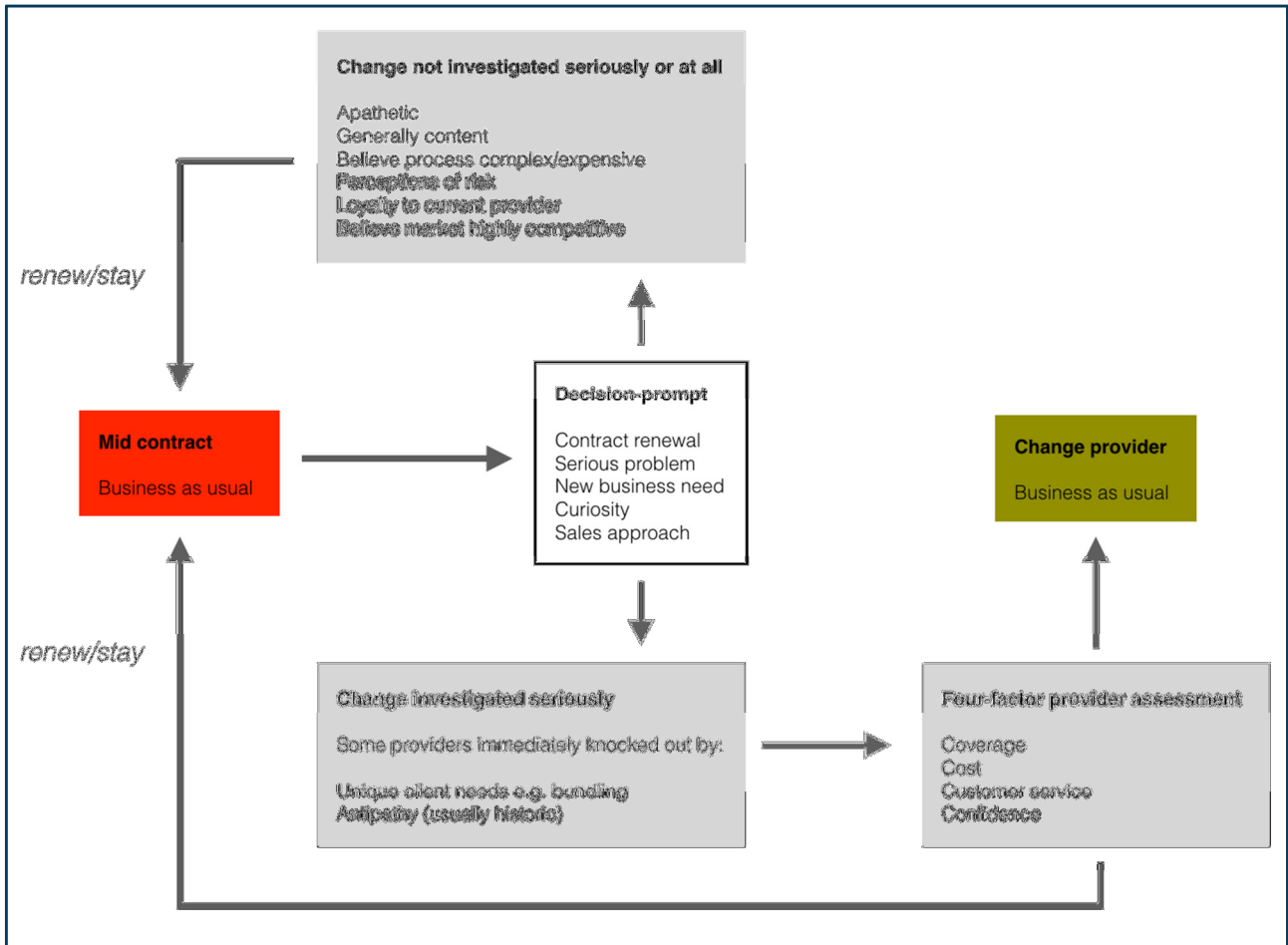
Targeted qualitative research with businesses

<i>DEPTH INTERVIEWS (20)</i>				
NO.	BUSINESS SIZE	LOCATION	CRITERIA A	CRITERIA B
1-2	Employ 1-9	Mix of urban/ provincial/ rural	Neutral/ negative opinion coverage	Explore coverage issues in more detail
3-4	Employ 10-49	Mix of urban/ provincial/ rural	Mix of providers	
4-5	Employ 50 plus	Mix of urban/ provincial/ rural	Mix of providers	
6	Mix business size	Mix of urban/ provincial/ rural	Willing to switch provider	Explore actual likelihood to switch
7	Mix business size	Mix of urban/ provincial/ rural	Mix of providers	
8	Mix business size	Mix of urban/ provincial/ rural	Mix of providers	
9	Mix business size	Mix of urban/ provincial/ rural	Willing to switch provider	Explore actual likelihood to switch
10	Mix business size	Mix of urban/ provincial/ rural	Mix of providers	
11	Mix business size	Mix of urban/ provincial/ rural	Mix of providers	
12-16	Mix business size	Mix of urban/ provincial/ rural	Non-switchers	Explore barriers in more depth
17-18	Mix business size	Mix of urban/ provincial/ rural	Reactive switchers	Explore factors to nudge 'reactive switchers'
19-20	Mix business size	Mix of urban/ provincial/ rural	Proactive switchers	Explore key drivers for 'proactive switchers'

The overall decision-making process is detailed graphically below.

■ Qualitative insights on market concentration

The diagram below is a simplified illustration of the decision-making process involved in choosing a business mobile provider.



■ Data plans and providers

Spark and Vodafone are the most commonly used mobile providers, with 46% using Spark and 40% using Vodafone as their main provider; 2degrees is the third most common provider and is used by 8%.

There are indications that data usage is important in the mobile market and growing in importance. 83% of businesses are paying for at least one smart phone with a data plan and in the qualitative stages, data plans and usage are considered a key area of likely expansion in the use of mobile devices.

However, mobile voice and data costs tend to be at the lower end of input costs, with only 19% saying they are a significant cost for their business.

Nearly three-quarters are on a fixed term contract for their mobile voice and data services but of these, only 41% are aware when their contract is up for renewal.

■ Industry attributes

Respondents rated 14 attributes² according to their importance when choosing a mobile voice and data provider. These attributes are grouped into three broad categories - with the most important services in one group, reputational aspects in another, and the remaining service attributes making up the last group.

'Reliable coverage', 'good customer service' and 'competitive pricing' are rated most highly with around 90% of companies rating them as important. 'Good invoicing' and 'the ability to offer bundled solutions' are also important.

Reputational and brand attributes are considered important but to a lesser extent. 'Provider reputation', 'being innovative and flexible', 'having an understanding of business challenges and individual business needs', and 'being an established company' are considered important by around two-thirds of respondents.

The remaining 'extra services' record lower ratings with just over half rating 'offering up-to-date solutions' and 'hardware subsidies' as important and under half rate 'international roaming services' and 'managed services' as important.

■ Network provider ratings

Spark is rated as the best provider for most of the key attributes with Vodafone challenging on cost and quality of invoicing.

2degrees do not rate well across the majority of the attributes but is more of a challenger on cost. As businesses are more likely to rate their current main provider as the best across attributes, the high market share for Spark and Vodafone will have helped them with these ratings.

There is a clear knowledge gap in regard to 2degrees with 70% of the businesses surveyed reporting they did not know enough to say whether the attributes apply to 2degrees. The attributes most strongly associated with 2degrees are 'competitive pricing' and 'is an established company', which 31% said apply.

However, along with higher satisfaction, a higher proportion of 2degrees customers (77%) will recommend them. Overall, there is reasonable satisfaction with current providers - ranging from 77% for Spark customers, 81% for Vodafone, and 93% for 2degrees. 'Likely recommendation' is similar for Spark and Vodafone customers, with 61% and 59% respectively saying they will be likely to recommend them to others.

² "Has competitive pricing", "Is an established company - has been around at least five years", "Has a good reputation", "Is innovative and flexible", "Has good customer service", "Has reliable coverage", "Can offer up-to-date or different solutions such as pooled data", "Has good invoicing and itemised billing", "Can offer managed services for mobile phones such as tailored applications", "Has a good general understanding of business challenges", "Has hardware or handset subsidies", "Has international roaming services", "Can offer all telecommunications solutions in a single bundle", "Commits to a personal understanding of my special business needs".

■ Attitudes towards switching

Very high levels of overall satisfaction with current providers (80%) and low proportions that claim their mobile costs to be significant compared to their other overheads (19%) may be hindering motivations to even seek out and compare providers. Some evidence of this is shown in the attitudes to switching question with only 4% actively looking for a new provider and 10% that intend to look for one when their contract is up. However, even with this small proportion of proactive switchers there does not appear to be a great sense of loyalty, with 45% reporting they will switch their mobile provider for a cheaper deal or better service. The remaining 40% said they are not interested in switching.

Five different groups are identified in the quantitative data according to their attitudes to switching behaviour. Initially three groups were developed – proactive switchers, reactive switchers, and non-switchers. Proactive switchers are ‘actively looking for a new provider’ or ‘intending to look for a cheaper provider when their contract is up’. Reactive switchers ‘will switch if they are offered a cheaper deal, but are not actively looking’ or ‘will switch for better service, but are not actively looking’. Non-switchers ‘are not interested in switching their mobile voice and data provider’.

The reactive switchers and non-switchers are then separated again into two more groups, each based on company size, resulting in the following five segments.

Proactive switchers: those who are actively looking for a new provider or intending to once their contract is up.

Reactive switchers (larger): those businesses with more than ten employees, and who will switch if they are offered a cheaper deal or better service, but who are not actively looking.

Reactive switchers (smaller): those businesses with fewer than ten employees, and who will switch if they are offered a cheaper deal or better service, but who are not actively looking.

Non-switchers (larger): those businesses with more than ten employees, and who are not interested in switching mobile voice or data providers

Non-switchers (smaller): those businesses with fewer than ten employees, and who are not interested in switching mobile voice or data providers

When examining the importance ratings given to the 14 provider attributes tested, the smaller companies rate ‘good customer service’ and ‘being an established company’ as more important than bigger companies and rate the attribute ‘offering up to date or different solutions’ lower. Reactive switchers rate ‘being innovative and flexible’ and ‘having a good general understanding of business challenges’ higher than non-switchers.

■ Switching experiences

A relatively low proportion (14%) of businesses has switched mobile provider in the past.

Though the majority of companies has been approached (only 34% said no one has approached them), 71% of the businesses that has switched in the past two years did so after approaching another company themselves.

The key drivers for switching provider are experiences of poor coverage, high bills from a previous supplier and personal approach from another provider with a better deal. While key barriers to switching are satisfaction with the current service and price offered, being locked into a contract, the perceived hassle involved, and good coverage provided by the incumbent relative to perceptions of other providers.

The market appears to be fairly active, with 58% of businesses saying they have been approached by at least one provider over the past two years, while 31% has proactively approached a supplier about switching.

Process difficulties are not a significant barrier to switching, with 69% that has switched reporting the process to be easy and just 19% reporting difficulties. There is some mismatch between perceptions of how easy it is to switch and how easy it really is, with 49% of all respondents expecting it would be easy to switch mobile voice and data providers if they wanted to.

■ Industry comparisons

Overall, providing mobile voice and data is generally seen to be a competitive industry, with 44% reporting it is, second in competitiveness only to power companies at 47%. Those that do not think it is competitive mainly give a neutral (32%) or unsure (18%) rating, with just 6% who explicitly rate the industry as being not competitive. When looking at net ratings (those that give a rating of competitive minus those that give a rating of not competitive), mobile voice and data providers come out as the most competitive industry when compared to power companies, fixed data providers, insurance providers, fixed line access and calling providers, and banks.

Perceived ease of switching also compares favourably with other industries tested, following only the power industry and insurance industry.

Preliminary qualitative research

■ Background

- 12 initial depth interviews with businesses covering a broad range of characteristics: employee number, location, industry, and predisposition to switch mobile providers.
- The table in section 1.3.1 provides full details of these respondent characteristics.

■ Competition

- The telecommunications market is generally seen as competitive and most respondents agreed that competition has increased. 2degrees gets some credit in this regard.
- Respondents report fairly frequently approaches (mostly Spark/Vodafone) for business.
- Strong perceptions are that Vodafone and Spark are established and capable.
- Generally, switching is thought to be easy: easier than bank, but perhaps harder than power.
- Banks were thought to be competitive due to the high number, but many felt that it was harder to switch as a result of typically more complex arrangements: "It's much more labour intensive".
- Power was thought to be highly competitive market, though less transparent than others, and switching was perceived as being very easy.
- Overall the sense was that power and telecommunications were just commodities, there was relatively little loyalty, and fairly low friction to switching - particularly for smaller businesses.

■ Perceptions of value

- Mobile phone and data were often seen as poor value when compared internationally.
- Though for smaller businesses, mobile costs thought not to generally be such a large overall cost that respondents care about it particularly.
- Larger businesses appeared more likely to feel that the value proposition was higher - e.g. special deals and bundles.

■ Spark

- Dominant perception: "Impersonal".
- Strong "Telecom" branding shadow.
- Respondents often described them to be "old and big", but generally reliable.

- Spark were not typically thought to be particularly innovative or flexible.
- Though they're seen as fairly responsive, with the odd exception.

■ Vodafone

- Dominant perception: "Unresponsive".
- Negatives around "poor customer service" arose frequently.
- Account managers were generally seen as good but there were fairly frequent complaints about the Vodafone call centre.
- Vodafone are seen as truly international, with global roaming options a commonly-cited positive.

■ 2degrees

- Dominant perception: "Residential/youth/challenger/value" - generally not seen as a "serious" business player and often not named by respondents without prompting, though all had heard of them.
- Seen to be in a "different league" to Spark and Vodafone. Generally, characterised as: "finding their feet", and "becoming established".
- Had frequently been recommended by a family member, friend, or colleague. Occasional reports of professional business approaches - but not the norm.
- Perceived positives: customer service, urban coverage, some underdog cache.
- Seen as highly competitive on price, but flip-side was that there was some suggestion they represent "the poor-man's network" as well as suspicions "that you probably get what you pay for". There were frequent anecdotes and rumours of poor coverage and reliability (particularly rural) and a general lack of clarity from respondents about available service offerings e.g. international roaming.
- For smaller businesses 2degrees' main point of differentiation (price) isn't usually sufficient to overcome switching inertia and perceived risks. For larger businesses positive service factors appear to assume more importance in a market already perceived as highly price competitive.
- In several cases respondents had been "tempted" by 2degrees but hit a specific barrier: coverage, lack of account manager, no fixed line service option and so on.
- There are also some concerns about 2degrees' market stability, though this perception is perhaps improving with time in the market.

■ Customer criteria

- The three factors arising consistently in terms of decision-making around mobile providers were: coverage, cost and customer service.

- Mobile devices – and particularly phones – are now seen as absolutely essential to business, and increasingly so.
- Many respondents reported significant increases in terms of demand for mobile data.
- In urban areas, coverage was frequently taken as read, though this was much less the case provincially.
- After reception, cost was likely most important, as long as other basic needs were met.
- Increasingly, costs appear to be viewed holistically and are seen to encompass many additional services: bundling, infrastructure, customer service and so on.
- Smaller businesses generally see the price offers between the companies as fairly close and open to matching.
- Larger businesses tend to see the big two - Vodafone and Spark - as offering a richer service suite, and more opportunities for service tailoring.
- Bigger businesses also place a higher weight on active account management.
- Other service offerings are typically perceived as being similar between the big two.
- Unless highly customised, the other offerings are not usually the key criterion of the decision as to which provider to use.

■ Switching barriers

- Key barriers were potential disruption, hassle, paperwork, time, opacity, and the “devil you know”.
- Because of cost/time/inertia respondents indicated that there needs to be significant cost advantage (for some as high as 20% or so).
- Many seem to take their contracts fairly seriously and value loyalty. The timing of competitive approaches therefore makes a significant difference in terms of likely success.
- Respondents were unanimous that number portability has made a huge difference to ease of switching, and don’t appear to see break fees as a big issue, many noting that this cost will often be picked up by a new provider.
- Smaller businesses indicated that they tend not to do regular comparisons between companies as time is short, instead they typically wait to be approached themselves.
- Bigger companies indicated it’s harder to switch as a result of potentially having to unbundle some services in a way that may impose cost increases, loss of loyalty credits, force an overall systems re-think and so on.
- For smaller businesses, “re-sign bonuses” (free phones, discounts) are attractive too.
- There is also some suspicion that “chasing deals” is unwarranted in a market perceived of as cost competitive, and that there’s a risk of ending up worse off in the long run.

Quantitative research

2.1 Number of mobile voice and data plans

The most common type of device that businesses pay for are smart phones with data plans with 83% paying for at least one of them. Half as many still pay for mobile phones without data plans (42%) and a similar amount pay for data plans for non-voice devices such as tablets (43%).

One-third of those that pay for a smart phone with a data plan continue to pay for a normal mobile phone without a data plan.

■ Demographics

Companies with their headquarters in Auckland and those offering professional services are most likely to pay for smart phones with data plans (93%) and those with their headquarters in the South Island regions and those in primary industries are the least likely (69%).

Companies with headquarters in the South Island regions are more likely to pay for normal mobile phones with no data plans (58%), as are those in secondary industries (57%).

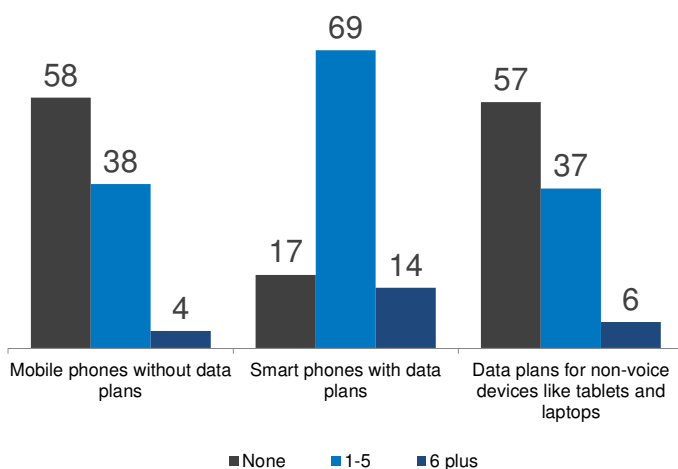
■ Employees (unweighted)

Those companies that employ more people also pay for more smart phones with data plans. This trend also existed for mobile phones without data plans - among those that still had them.

Larger companies were more likely to pay for a non-voice device with a data plan than smaller companies (66% of those with 50 employees or more compared to 37% with five or fewer employees).

Number of plans paid for

So thinking about mobile voice and mobile data solutions - how many of the following devices does your business pay for? Just tell me when I read out the appropriate number range.



Base: All respondents (n=400)

2.2 Network providers used

The most common provider is Spark, used by half of businesses overall and used by 46% as their main provider. Vodafone was close behind with 45% using them overall and 40% using them as their main provider. No other provider came close to matching the customer base of these two. 2degrees, the third most popular provider, was used by 10% overall, and by 8% as a main provider.

■ Demographics

Spark is less popular in the main cities of Auckland and Wellington and the South Island regions, where it is used as a main provider by around 40% and more popular in Christchurch (57%) and the North Island regions (55%). Usage of Vodafone as a main provider is less varied across the country compared to Spark; it is highest in the South Island regions at 46% and lowest in the North Island regions at 35%.

There is also a notable regional difference for usage of 2degrees with 20% in Wellington reporting using them as a main provider.

Spark is used as a main provider by the majority of primary industries (60%) and those in the social/other services category (66%). Compared to Spark, Vodafone is used by a higher proportion of companies in secondary industries (45%) and that provide professional services (44%); 2degrees is also more likely to be used by those providing professional services (17%) than those in other industries.

■ Employees (unweighted)

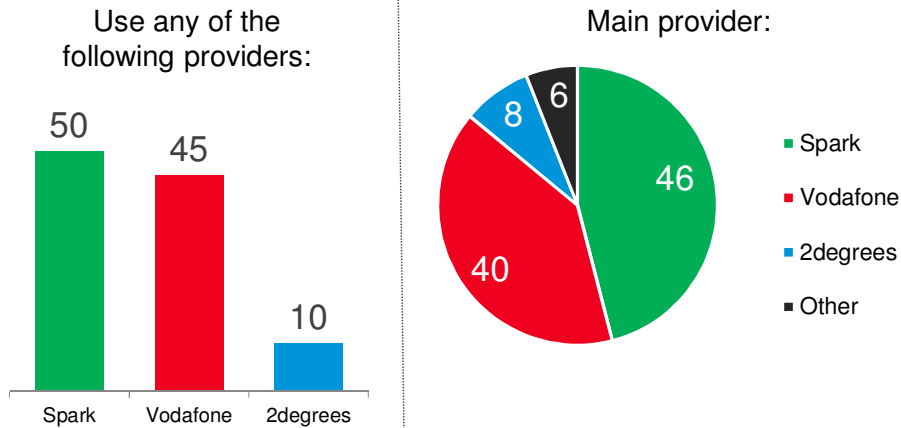
Vodafone competes with Spark effectively for very small companies with 45% of those employing fewer than six people using them as their main provider compared to 42% using Spark (a difference of just 3%).

Spark is dominant across all small-to-medium sized companies (those employing between six and 99 people). Vodafone then trumps them with 49% of large companies (employing at least 100 people) choosing them as a main provider compared to 40% for Spark. Only 4% of companies employing at least 100 people use 2degrees as their main provider.

2degrees rate highest across businesses with 10-19 employees with 15% claiming to use them, while market share is less than 10% across all other company sizes.

Providers used

Which of the following providers do you use for mobile voice and data solutions?
And which provider do you consider to be your MAIN provider?



Base: All respondents (n=400)

2.3 Cost to the business

2.3.1 Monthly mobile phone costs

Two-thirds of companies (67%) had mobile phone costs less than \$500 per month, 18% paid at least \$500 but less than \$1,000 and 13% paid \$1,000 or more.

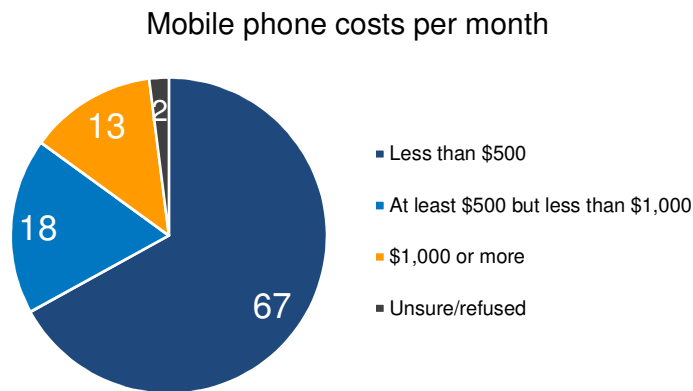
■ Demographics

Primary and Secondary industries had larger monthly bills than the other types of industries surveyed (21% and 20% had monthly bills of \$1000 or more, respectively).

Larger bills, in and of themselves, did not necessarily mean that the cost was deemed significant for a company. 22% of those who spend \$1000 or more reported this cost as significant compared to 33% that spend at least \$500 but less than \$1000, and 15% that spend less than \$500.

Cost to the business

Which of the following best describes how much your business spends on mobile phone costs per month?



Base: All respondents (n=400)

2.3.2 Significance as a business cost

Overall, 19% of those surveyed considered their monthly mobile voice and data costs to be significant compared to their other overheads (5% said 'very significant'). 32% expressed neutral feelings about them and 45% said they were 'not significant'.

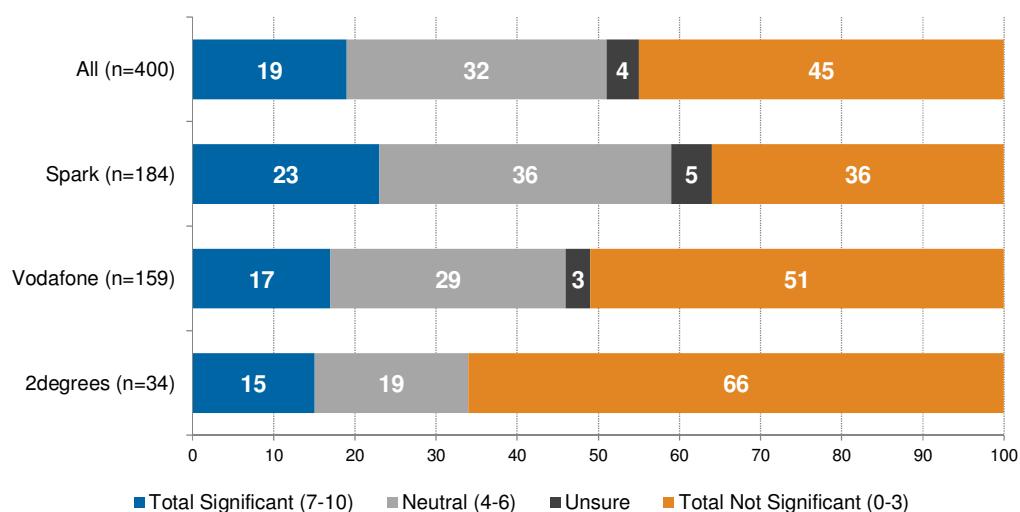
■ Demographics

Spark customers were less likely to say their costs were not significant (36%) compared to Vodafone (50%) and 2degrees (67%) customers.

Primary industries were the most likely compared to all other industries to report their mobile voice and data costs as being significant (45%).

Significance of costs to the business

Thinking about how much your business spends on mobile voice and data per month how significant is this cost compared to other business overheads? Using a 0 to 10 scale where 0 means cost is NOT significant, and 10 means cost is VERY significant.



Base: All respondents (n=400)

2.4 Fixed term contracts

2.4.1 Frequency and length of fixed term contracts

Almost three-quarters (73%) of companies surveyed are on a fixed term contract with their mobile voice and data provider. For those that are on fixed term contracts, by far the most common term is two years with half of all respondents on a two year contract; 12% have one year contracts and 5% are on contracts of three years length or more.

■ Demographics

Vodafone customers are slightly more likely to be on a fixed term contract compared to Spark customers (75% and 70%, respectively); however, Spark contracts tend to be longer than Vodafone contracts (82% are two years or more compared to 70% for Vodafone).

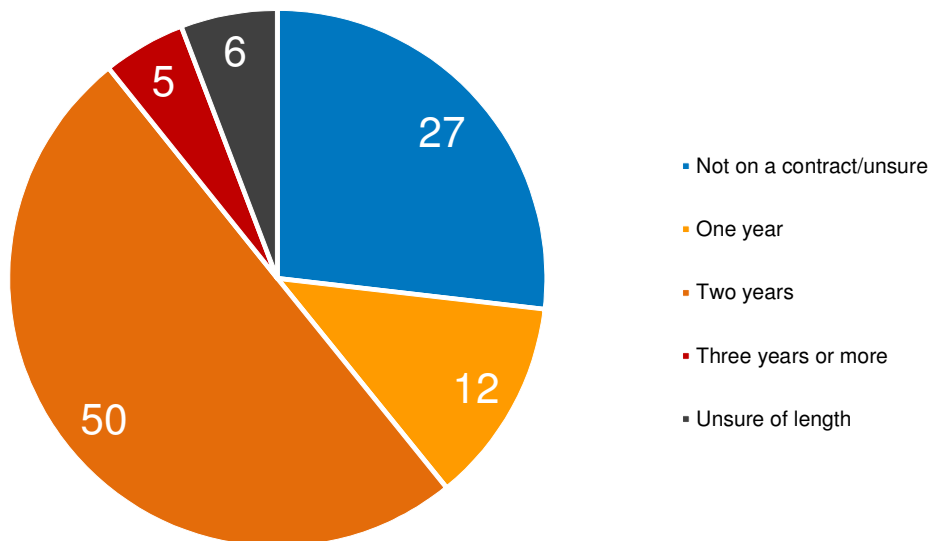
■ Employees (unweighted)

Larger companies are more likely to be on longer fixed term contracts; 21% of companies with 50 or more employees are on contracts fixed for three years or more compared to 4% of those with fewer than ten employees and 10% that employ at least ten people but fewer than 50 people.

Fixed term contracts

Are you on a fixed term contract with your mobile voice and data supplier?
How long is your fixed term contract?

Overall **73%** on a fixed term contract



Base: All respondents (n=400)

2.4.2 Knowledge of fixed term contract details

Respondents whose companies are on fixed term contracts were asked about the details of those contracts. Although 92% were aware of the length of their fixed term contract in years, only 41% knew the date their contract is up for renewal; a larger proportion were aware of the termination fees and conditions if they were to break their contract (59%).

■ Demographics

Renewal date

Respondents whose business' headquarters are located in the main cities were more likely to be aware of the date of renewal of their fixed term contracts. Around half of those in Wellington, Auckland and Christchurch reported awareness. Conversely, only 35% in the North Island regions and 18% in the South Island regions reported being aware of this date.

Those who are actively looking for a new provider - or are planning to when their contract ends - were also more likely to be aware of the renewal date of their contract (57%), as were those that pay for six or more smartphones (50% compared to 41% that pay for fewer smartphones).

Termination fees and conditions

Awareness of termination fees and conditions for fixed term contracts was also higher in Wellington (70%) and Christchurch (65%) but there was no difference in awareness between Auckland and the regions.

There were also some differences between industries, with those in trade industries being most likely to declare awareness of the termination fees and conditions in their contracts (79%) and those in professional services being least likely (38%).

■ Employees (unweighted)

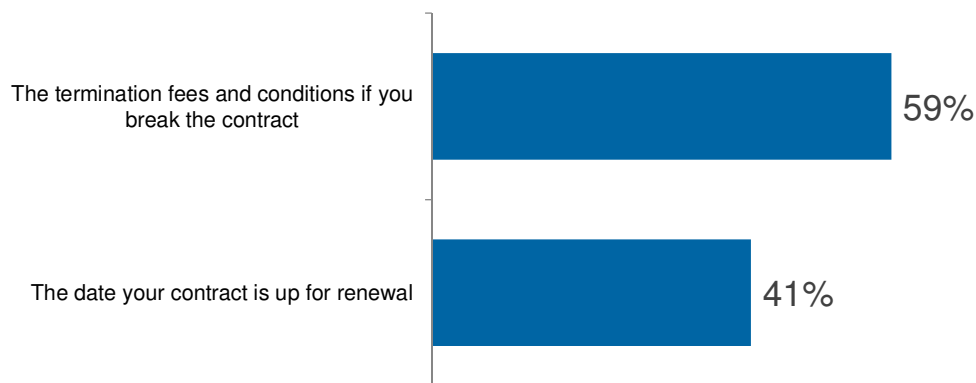
Companies with more employees declared increased awareness of the date of renewal for fixed-term contracts - 37% with fewer than ten employees declared awareness compared to 67% with 100 or more employees.

A similar trend did not exist for awareness of termination fees and conditions, though awareness of these was still lower for small companies employing 5 people or less (54%).

Fixed term contracts

Thinking about your fixed term contract, are you aware of...

Those on contracts aware of:
(n=290)



Base: All respondents (n=400)

Industry attributes

3.1 Importance of network provider attributes

Respondents were asked to rate how important 14 attributes (outlined earlier in this report) were when choosing a mobile voice and data provider. The attributes have been grouped into three broad categories - with the most important services in one group, reputational aspects in another, and the remaining service attributes making up the last group.

3.1.1 Most important services

■ Three essentials

'Reliability of coverage', 'good customer service' and 'competitive pricing' all had around 90% agreement that they were important (93%, 91% and 87%, respectively). Almost no respondents reported them as being not important. There was also a clear hierarchy of importance among these three services with 53% giving reliability of coverage the maximum 10 rating stating it was very important, 43% giving good customer service a very important rating and 34% giving competitive pricing a very important rating.

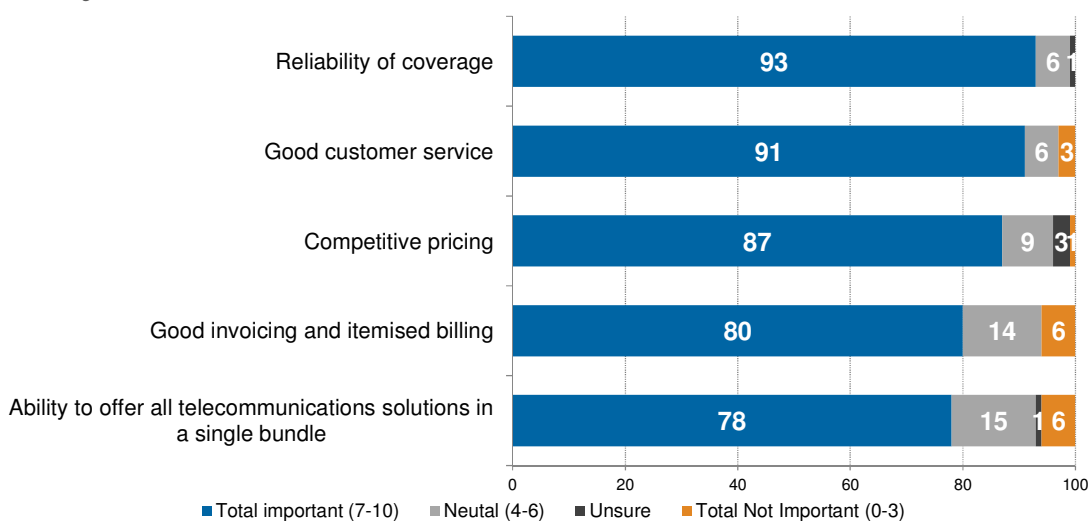
■ Important extras

Good invoicing/itemised billing and the ability to offer bundled solutions were also rated highly by respondents; 80% thought good invoicing was important (27% very important) and 78% thought bundled solutions were important (24% very important), 6% thought each of these services was not important.

Importance of provider attributes

Very important services

I'm going to read out a list of factors that some people feel are important when choosing a mobile voice and data provider, using a scale of 0 to 10 where 0 means not important at all and 10 means very important - please rate the following.



Base: All respondents (n=400)

3.1.2 Brand attributes

Five of the attributes that were asked about related to the brand of the provider and all of them were rated very similarly. 70% rated 'the reputation of the provider' as important, 68% rated 'being innovative and flexible' as important, 66% rated 'understanding business challenges and a personal understanding of special business needs' as important and 65% rated 'being an established company (around for at least five years)' as important.

Between 5% and 9% rated these attributes as 'not important'.

■ Demographics

Those with headquarters in Wellington were more likely to rate reputation as important (81%) and those with headquarters in the South Island regions were less likely (55%).

Professional services were more likely to rate being innovative and flexible as important (78%) and primary industries were less likely to rate it (55%); those in primary industries were also less likely to rate a good general understanding of business challenges as important (58%).

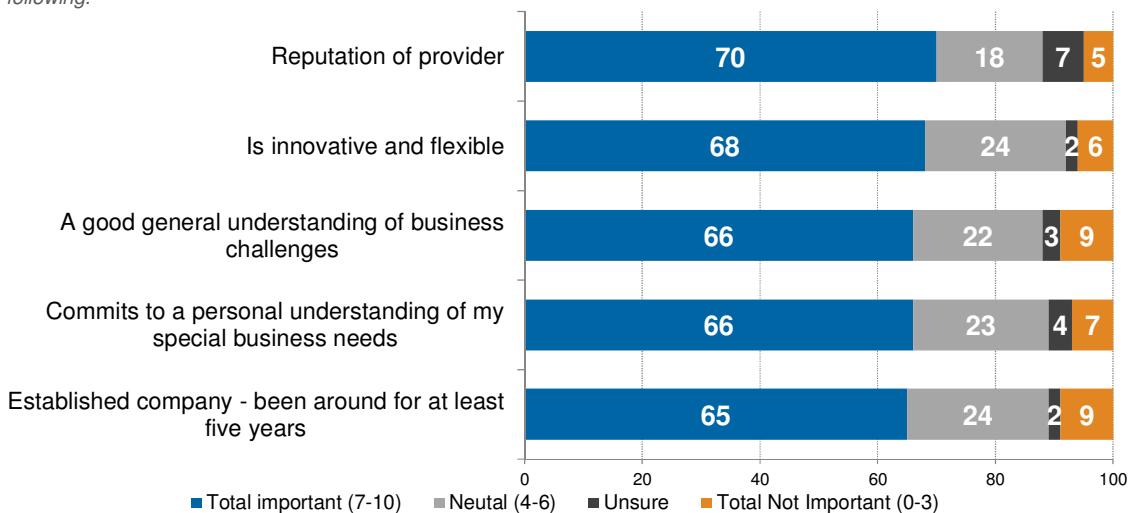
Those with headquarters in Christchurch were less likely to rate 'a good general understanding of business challenges' as important (52%) and more likely to rate 'is an established company' as important (77%). Those in primary industries were also more likely to rate 'is an established company' as important (82%).

Those with headquarters in the South Island regions and those in professional services were less likely to rate 'has a personal understanding of special business needs' as important (53%) and those in secondary industries were more likely to rate it as important (78%).

Importance of provider attributes

Brand attributes

I'm going to read out a list of factors that some people feel are important when choosing a mobile voice and data provider, using a scale of 0 to 10 where 0 means not important at all and 10 means very important - please rate the following.



Base: All respondents (n=400)

3.1.3 Extra services

The final four attributes had comparatively lower importance ratings, though larger proportions of respondents still rated them as 'important' as opposed to 'not important'.

Two attributes had slightly higher ratings of importance - 'offering up-to-date solutions' was rated as being important by 54% and 'hardware or handset subsidies' by 53%. 15% and 18% rated these as 'not important', respectively.

The two attributes with the lowest ratings of importance received similar ratings - 41% rated 'international roaming services' as important and 39% rated 'offering managed services' as important; just under a quarter rated them as being not important (24% and 22%, respectively).

■ Demographics

Those with headquarters in Wellington were more likely to rate offering up-to-date solutions as important (69%), as well as international roaming services (53%) and managed services for mobile phones (47%).

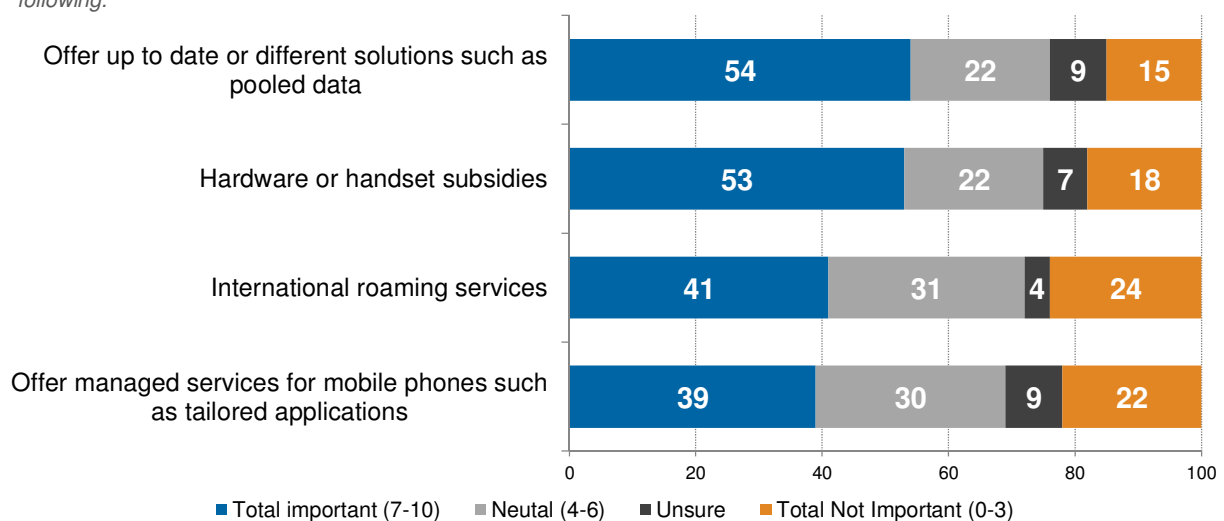
Other groups more likely to rate up-to-date solutions as important were those with more employees (76% with at least 100), those who pay for more smartphones (64% that pay for more than five) and those whose mobile costs are significant (66%).

Those with headquarters in Auckland (59%), the South Island regions (60%) and those in primary industries (73%) were more likely to rate hardware or handset subsidies as important.

Importance of provider attributes

Extra services

I'm going to read out a list of factors that some people feel are important when choosing a mobile voice and data provider, using a scale of 0 to 10 where 0 means not important at all and 10 means very important - please rate the following.



Base: All respondents (n=400)

Network provider ratings

4.1 Best rated network provider

Spark was rated as the best provider across the vast majority of attributes tested, though Vodafone was competitive and beat Spark on some attributes. 2degrees was rated as the best provider by less than 10% of businesses for all but two attributes.

Experience has shown that consumers tend to rate their own providers higher in surveys and this also appears to be the case here³, so Spark's higher market share likely contributes to its higher ratings. For example, Spark customers tended to either choose Spark or say they were unsure across the attributes, and both Vodafone and 2degrees customers did similarly for their own provider.

The following section follows the groupings used in the previous section and outlines the company, which is rated as being the best across each attribute.

4.1.1 Very important services

■ Reliable coverage

Almost half (48%) of businesses rated Spark as having the most reliable coverage; this was Spark's best rated attribute and was also the one with the greatest difference between the Spark and Vodafone rating (Vodafone was rated best by 25%). It was one of two attributes that had a notable proportion of Vodafone customers concede to Spark, with 18% of Vodafone customers reporting that Spark had the best coverage and 41% of 2degrees customers also conceding to Spark (compared to 9% that chose Vodafone and 21% that chose 2degrees).

This was an attribute most had an opinion on as compared to the other attributes - a low proportion of respondents said they were 'unsure' who was best on coverage (22%).

■ Customer service

Spark was also rated as best for customer service (32%), followed by Vodafone (24%) and 2degrees (9%). Spark customers and 2degrees customers were more certain that their own provider had good customer service with 60% of Spark customers choosing Spark (25% unsure) and 66% of 2degrees customers choosing 2degrees (25% unsure); however, Vodafone customers were less certain with only 46% of them rating Vodafone as the best (35% unsure).

³ The data cannot tell us whether this is because a customer likes to think their provider is the best retrospectively, or whether the customer initially chose their company because they perceived it to be the best.

■ Competitive pricing

Results were most balanced for “competitive pricing” with Spark and Vodafone having similar proportions rate them as the best (26% and 23% respectively). 15% rated 2degrees as the best, making this its best rated attribute.

2degrees customers were strongest on this attribute, with 74% reporting that their company offered the most competitive prices compared to just under half of Spark and Vodafone customers (45% and 46% respectively).

■ Good invoicing

Spark was rated the best for good invoicing at 33%, only slightly ahead of Vodafone at 29%; 2degrees was rated best by 7%. When looking at customers, ratings were similar across each company with 65% of Vodafone customers rating them as the best and 61% of Spark and 2degrees customers rating their own company as the best.

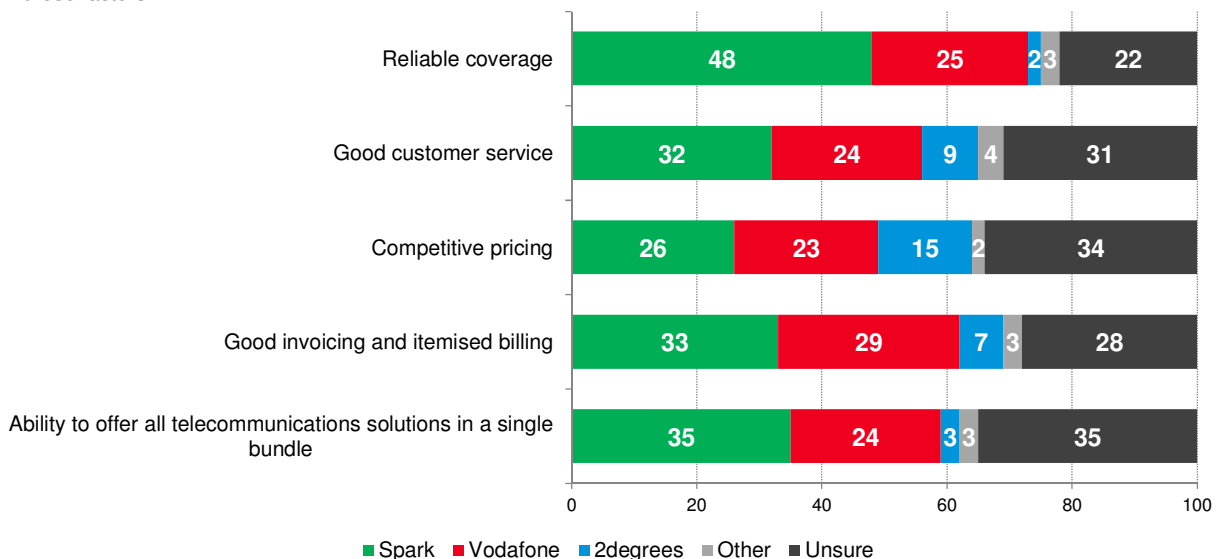
■ Bundled solutions

Spark was rated the best for bundled solutions at 35%, ahead of Vodafone at 24%; 2degrees was rated best by 3%. Spark customers were also more likely to rate their own company as the best (64%) compared to Vodafone customers (54%) and only 25% of 2degrees customers rated their company as the best - instead of choosing Spark or Vodafone as the best company for bundled solutions, 61% of 2degrees customers said they were unsure who was best.

Network provider ratings

Very important services

Out of Spark, Vodafone, 2degrees or another provider, which network provider would you say is the best across these factors?



Base: All respondents (n=400)

4.1.2 Brand attributes

■ Reputation

Spark was rated the best for having a good reputation at 37%, ahead of Vodafone at 28%; 2degrees was rated best by 5%. Spark customers were more likely to rate their own company as having the best reputation (66%), with only 49% of Vodafone customers doing likewise. 39% of 2degrees customers rated their own company as having the best reputation and 20% of them thought Vodafone had the best reputation (4% thought Spark did).

■ Innovation and flexibility

Here, 2degrees had the most customers likely to rate their own provider as the best at 58% compared to 50% for Vodafone and 49% for Spark.

Overall, Vodafone edged out Spark on this attribute with 25% reporting they were the best at being innovative and flexible compared to 24% for Spark.

13% thought 2degrees were the best - making this one of two attributes where over 10% thought they were the best.

■ Understanding of business challenges

Spark was rated the best for having a good general understanding of business challenges at 32%, ahead of Vodafone at 25%; 2degrees was rated best by 4%. Spark customers were more likely to rate their own company as having the best reputation (60%) compared to Vodafone customers (51%). 34% of 2degrees customers rated their own company as having the best understanding.

■ Personal understanding of special business needs

Spark and Vodafone had very similar proportions rate them as the best at developing a personal understanding of special business needs (22% and 21% respectively); 7% rated 2degrees as the best. The same proportion (45%) of customers from each respective company rated their own company as the best at committing to this understanding.

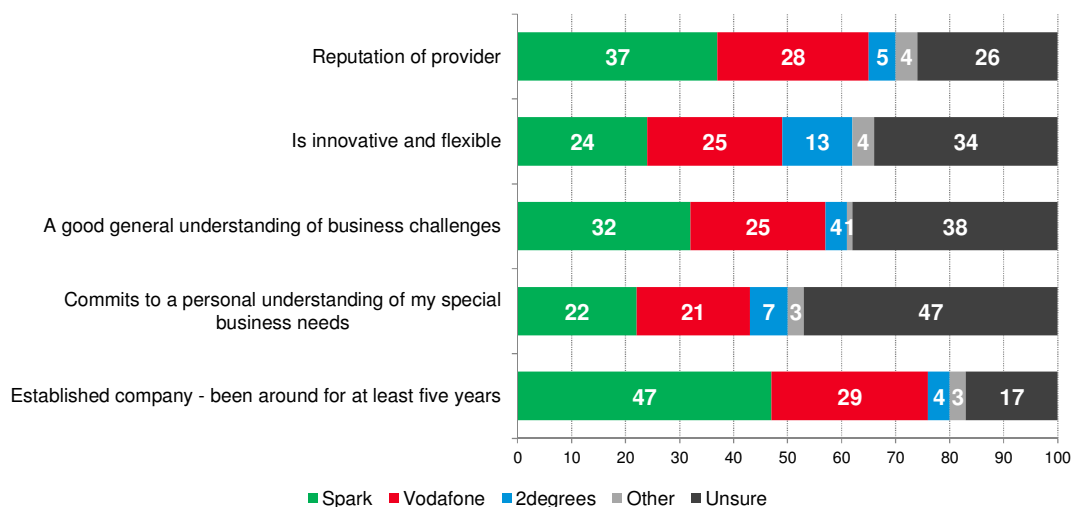
■ Established company

This was one of just two attributes where Spark was clearly rated as being the best provider; 47% rated Spark as being the most established company compared to 29% for Vodafone (4% for 2degrees). Spark was also more likely to be rated as the most established company by its own customers with 73% rating them as the most established company compared to 61% for Vodafone. 36% of 2degrees customers thought they were the most established company - 21% of them thought Spark were and 17% of them thought Vodafone were.

Network provider ratings

Brand attributes

Out of Spark, Vodafone, 2degrees or another provider, which network provider would you say is the best across these factors?



Base: All respondents (n=400)

4.1.3 Extra services

■ Up-to-date solutions

Spark was rated the best for offering up-to-date or different solutions at 23%, ahead of Vodafone at 16%; 2degrees was rated best by 8% and 49% said they were unsure which company was best. 2degrees and Spark customers were more likely to rate their own company as offering up-to-date solutions (47% and 45% respectively) compared to Vodafone customers (32%).

■ Hardware subsidies

Vodafone and Spark had very similar proportions rate them as the best at giving hardware or handset subsidies (25% and 23% respectively); 4% rated 2degrees as the best. Customers from Vodafone were more likely to rate their provider as the best (53%) than Spark customers were to rate Spark as the best (46%); 2degrees customers were far less likely to say 2degrees was the best at providing these subsidies (28%).

■ International roaming services

Vodafone was rated by a slightly higher proportion as being the best at providing international roaming services (27%) compared to Spark (23%); 1% believed 2degrees was the best. A similar proportion of Vodafone and Spark customers rated their own provider as the best (47% and 43% respectively). 2degrees customers clearly thought Vodafone was better than Spark at providing international roaming with 20% saying Vodafone was the best compared to just 2% for Spark - this was also one of only two attributes where 2degrees customers did not rate 2degrees as the best, with 8% rating their own provider as the best.

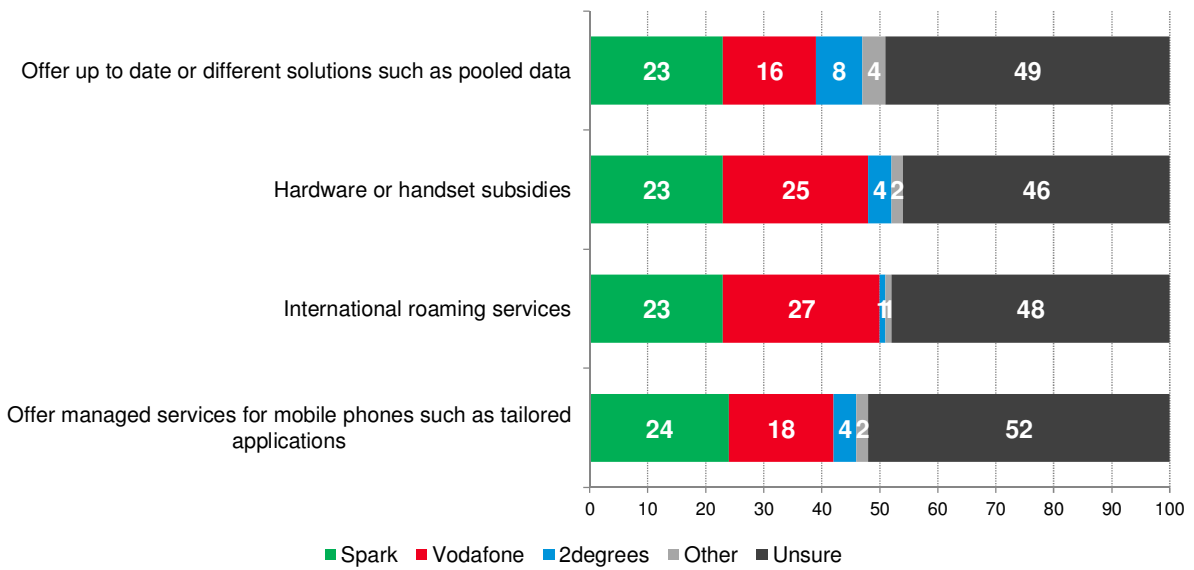
■ Managed services for mobile phones

A higher proportion rated Spark as being the best at providing managed services for mobile phones (24%) compared to Vodafone (18%). 4% rated 2degrees as being the best at this. Spark customers were also more likely to rate their own provider as the best at 48% compared to 33% of Vodafone customers that rated Vodafone, and 37% of 2degrees customers that said 2degrees.

Network provider ratings

Extra services

Out of Spark, Vodafone, 2degrees or another provider, which network provider would you say is the best across these factors?



Base: All respondents (n=400)

4.2 Satisfaction with main network provider

4.2.1 Rating of satisfaction with main network provider

Overall, 80% of respondents said they were satisfied with their main mobile voice and data provider; 15% were neutral and only 5% were not satisfied.

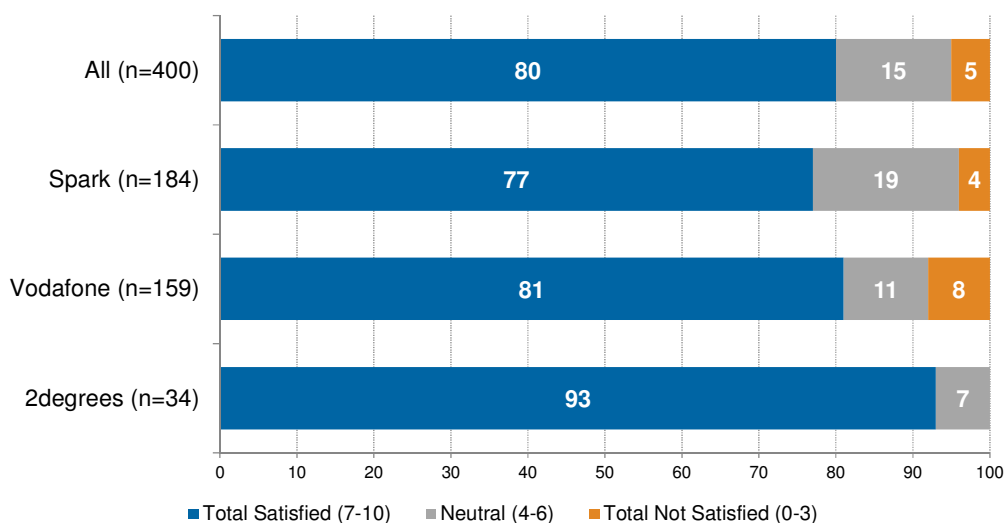
2degrees customers were most likely to express satisfaction with 93% reporting being satisfied (29% very satisfied) compared to 81% for Vodafone (11% very satisfied) and 77% for Spark (12% very satisfied).

■ Demographics

Respondents with their headquarters in the North Island regions were more likely to report satisfaction with their main provider (87%), as were those in primary and secondary industries (89% and 91% respectively). Those in trade industries and social services gave lower levels of satisfaction (73% and 70% respectively).

Satisfaction with main network provider

Using a 0 to 10 scale where 0 means not satisfied at all and 10 means very satisfied how satisfied are you with [main provider]?



Base: All respondents (n=400)

4.2.2 Would recommend main network provider

Overall, three in five (61%) companies said they would be likely to recommend their main provider to friends, family or colleagues.

Those whose main provider was 2degrees were far more likely to say they would recommend their main provider than customers of other providers. 77% said they would be likely to and 41% said they would be very likely to.

Spark and Vodafone customers were equally likely to recommend their providers (61% and 59% respectively), though a higher proportion of Spark customers said they would be very likely (16%) to recommend Spark compared to Vodafone customers who said they would be very likely to recommend Vodafone (7%).

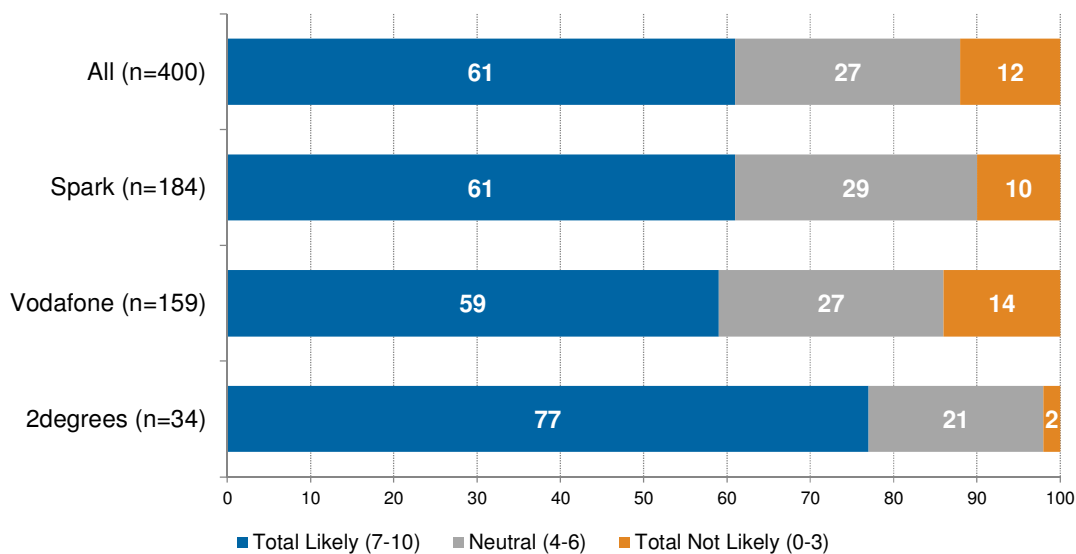
■ Demographics

Those in the North Island regions were more likely to say they would recommend their main provider (75%) while those in the South Island regions (50%) and Christchurch were less likely (43%).

Companies that spend \$10,000 or more per month on mobile phone costs are more likely to say they would recommend their main provider (76%); following this, secondary industries (which have higher costs per month) are also more likely to say they would recommend their main provider (84%). Trade industries were the least likely to say they would recommend their provider (45%).

Would recommend main provider

Using a 0 to 10 scale where 0 means not likely at all and 10 means very likely how likely is it that you would recommend [main provider] to friends, family or colleagues?



Base: All respondents (n=400)

Attitudes towards switching

5.1 Attitudes towards switching

Only 14% of customers had a “proactive” attitude towards switching with 4% reporting they were actively looking for a new provider and 10% intending to look for a cheaper provider when their contract is up.

Overall, 45% of customers had a “reactive” attitude towards switching whereby they said they would switch if offered a cheaper deal (26%) or better service (19%) but were not actively looking.

A slightly lower proportion held a “reluctant” attitude towards switching - with 40% stating they were not interested.

Spark customers were least interested in switching, 44% reporting a lack of interest in switching and only 5% reporting a proactive attitude. Vodafone customers were the most likely to have a proactive attitude to switching (23%), and 2degrees customers least likely (2%).

2degrees customers were most likely to have a reactive attitude toward switching (68%).

■ Demographics

Those in the South Island regions and those whose monthly mobile bills were a significant part of their costs compared to other overheads were more likely to hold a proactive attitude to switching (21% and 22% respectively).

Companies with headquarters based in Auckland (52%) and those in trade industries (55%) were more likely to hold a reactive attitude towards switching.

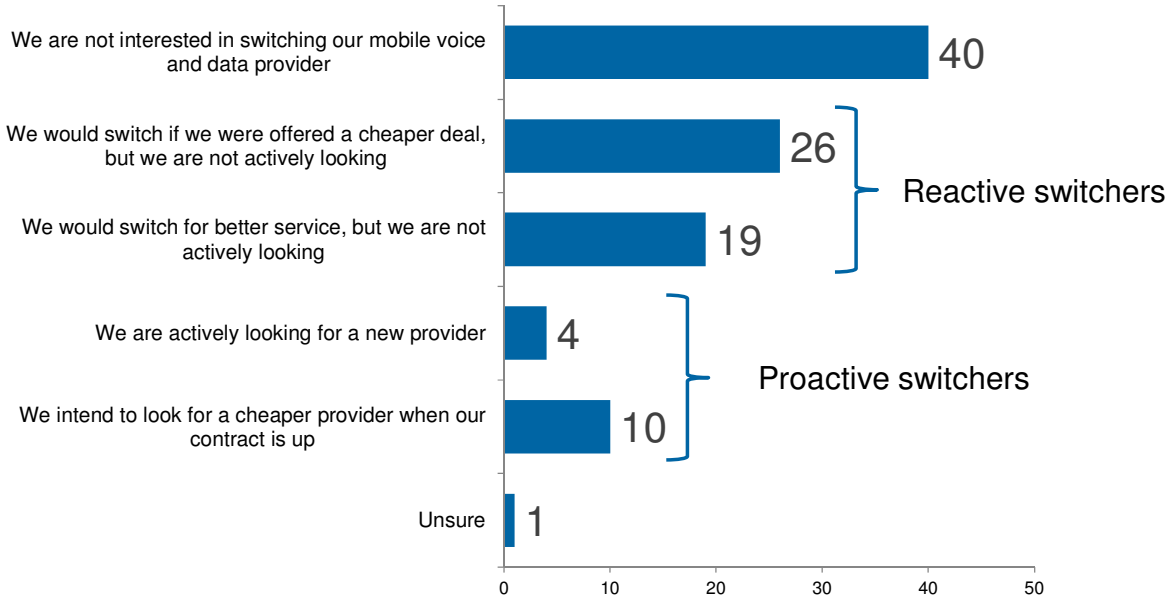
Companies in the North Island regions (51%) and those in the professional services (49%) and social or other service (48%) industries were more likely to say they were not interested in switching.

■ Employees (unweighted)

Large companies with at least 100 employees were more likely to hold an attitude conducive to switching with only 29% reporting they are not interested and 20% holding a proactive attitude. Companies with between 10 and 19 employees were the least interested in switching with 54% reporting they were not interested and only 8% holding a proactive attitude.

Attitudes towards switching

Please tell me which of the following statements is most applicable to you?



Base: All respondents (n=400)

5.2 Likelihood of switching providers

5.2.1 Likelihood of switching in the next year

Just 14% of companies reported being likely to switch their mobile voice and data provider in the next twelve months or when their contract was up, the majority were not likely (61%) and 18% held a neutral attitude towards choosing to switch.

2degrees customers expressed more service provider loyalty. They were less likely to say they would switch in the next year or when their contract was up (9%) compared to Spark (16%) and Vodafone (12%) customers.

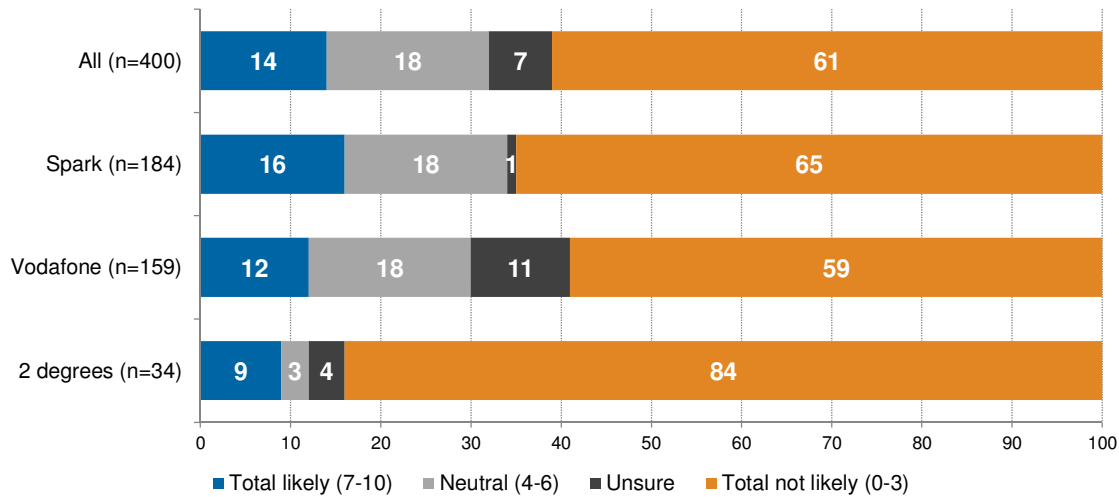
■ Demographics

Those in Auckland and Wellington were more likely to say they would switch in the next year or when their contract was up (19% and 25%, respectively), as were those in professional services (20%). Those who considered their mobile bills to be a significant cost compared to their other overheads were also more likely to switch (21%).

Likelihood of switching providers

Using a 0 to 10 scale where 0 means not likely at all and 10 means very likely - how likely are you to switch your mobile voice and data provider in the next twelve months?

Using a 0 to 10 scale where 0 means not likely at all, and 10 means very likely, how likely are you to switch your mobile voice and data provider when your current contract is up?



Base: All respondents

5.2.2 Reasons to consider switching - qualitative

In the targeted qualitative stage of research a number of reasons were outlined regarding the reasons why a business would consider switching provider.

- Price - several mentions of having come close to switching based on price already.
- Different service offerings - pooled data and carry-over minutes particularly appeal.
- Company image – for some a local company may appeal as it could be viewed as more approachable, and some liked to support the perceived “underdog”.
- Perceived service - fewer bad reports of customer service issues.
- Established company – some may consider switching to a new company if they have been around for a length of time and appear to be stable.

5.2.3 Reasons to not consider switching - qualitative

In the targeted qualitative stage of research a number of reasons were outlined regarding the reasons why a business would not consider switching provider.

- Established company - for some respondents a company needs to be around at least ten years or need to be perceived to have a track record operating in the “serious” business market.
- General brand weakness – may be seen as targeting the bottom end of the market such as residential or youth.
- Lack of knowledge – lack of knowledge of service and hardware offerings available from other providers.
- Poor marketing – poor perceptions of current marketing and ads.
- Technical expertise – uncertainty of technical expertise, this is especially important for larger businesses with complex requirements.
- Connection agreements/ third party reseller – lack of knowledge and understanding of agreements and impact on services able to be offered by those with connection agreements or third party resellers.
- Poor perceptions of coverage.
- Security and stability – uncertainty of financial security and stability of smaller companies.
- Price benefits not sustained - some suspicions that prices might eventually rise.

Switching experiences

6.1 Changed network provider within past two years

Around one-in-seven companies (14%) reported having switched mobile voice and data providers in the past two years.

Most of the businesses that switched said they changed after approaching another provider themselves to switch (71%). Only 19% switched after being approached by another provider. Furthermore, there was no real difference in the switching ratio for companies that had been approached by competing mobile providers and had not been approached by one, nor was there a difference depending on the number of times a company had been approached.

On these results perhaps cold calling is not a particularly effective tactic to get businesses to switch providers. Even so, mobile providers still tried, with only 34% of companies reporting they had not been approached by a competing provider in the past two years - 21% had been approached once, 22% had been approached twice, and 15% had been approached three times.

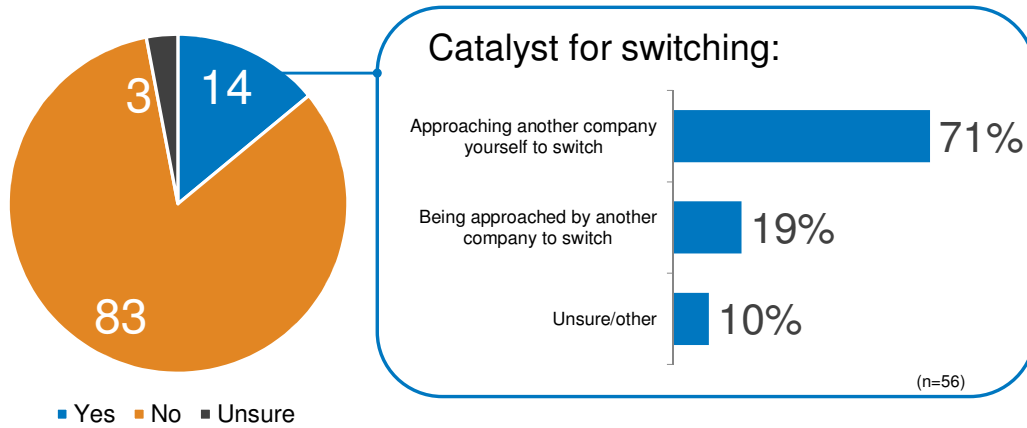
Companies were much less likely to approach mobile providers themselves with only a third having done so; of these companies, relatively similar proportions had approached one (14%) or two (12%) providers and a smaller proportion had approached three or more providers (5%). Of the third that had approached a competitor, 31% had switched providers.

■ Demographics

Those in the main cities were more likely to switch (21% in Auckland, 19% in Wellington and 28% in Christchurch) and those in the regions were less likely (7% in the North Island regions and 1% in the South Island regions).

Changing network providers

Have you changed your mobile voice and data provider in the past two years?
On the most recent occasion you changed your mobile voice and data provider did you change as a result of...



Base: All respondents (n=400)

6.2 Use of external consultants

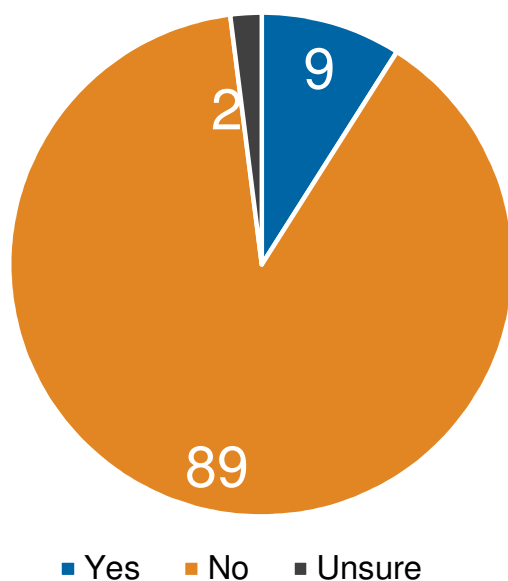
The vast majority of businesses do not use an external consultant to help them switch (89%) with only 9% of companies having employed one. Those that currently use Vodafone as their main provider were more likely to use an external consultant (13%) compared to those that currently use Spark (6%) or 2degrees (1%).

■ Demographics

Those in Wellington and those in social or other services were more likely to use an external consultant (20%).

Use external consultants

Do you use an external consultant to help you choose your mobile voice and data provider?



Base: All respondents (n=400)

6.3 Reasons for switching providers

The most-cited reason for switching providers was 'poor coverage', mentioned by just over a quarter (28%). Two other reasons cited by notable proportions were 'high bills from their previous provider' (18%) and 'a personal approach from a mobile provider with a better deal' (16%); around one-in-ten cited 'poor customer service' (11%) and 'wanting one bill' (7%).

Less-cited reasons included wanting to bundle their telecommunications services (5%), the contract ending and going to tender (4%), doing a price review (3%) and because of a recommendation from someone (2%).

Reasons for switching providers

What were your reasons for switching mobile voice and data provider on the most recent occasion that you switched?

Reasons for switching providers

Poor coverage	28%
High bill from your previous provider	18%
Personal approach from a mobile provider with a better deal	16%
Poor customer service from previous provider	11%
Wanted one bill/one provider	7%
Desire to bundle telecommunication services with the same supplier	5%
Contract was up and went out to tender	4%
Did a price review	3%
Recommendation from someone	2%
Other	18%

Base: Those that changed providers in the past two years (n=56)

Note: Multiple response question, percentages do not add to 100%

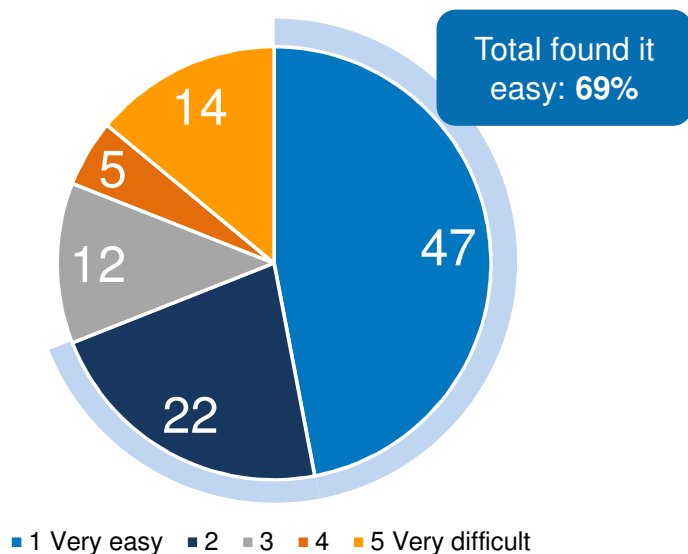
6.4 Ease of switching

6.4.1 Ease of switching providers

A majority of those who switched found it easy to switch providers (69%), and just under half (47%) rated it as 'very easy'. Only 19% found it 'difficult' with the remaining 12% expressing neutral feelings about the experience.

Ease of switching providers

On the most recent occasion you switched, using a 1-5 scale where 1 means very easy, and 5 very difficult, how did you find it to switch companies?



Base: Those that changed providers in the past two years (n=56)

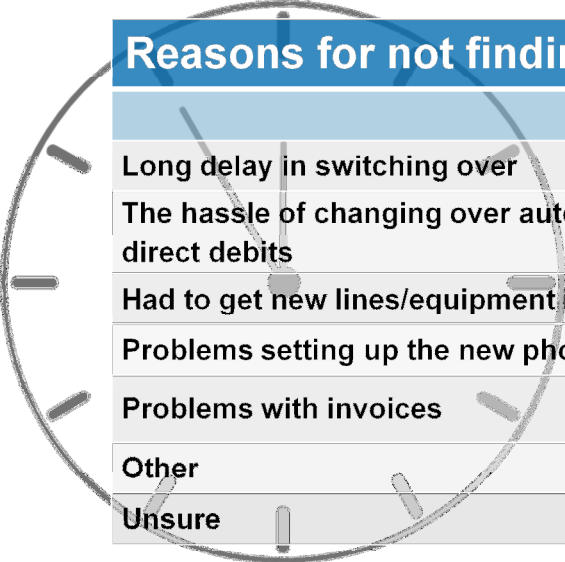
6.4.2 Reasons for not finding it easy to switch

There were not many switchers who did not find the process easy. Consequently, the sample size for the follow-up question on reasons for not finding the switch easy was small (n=17). By far the most cited reason for not finding it easy to switch was “a long delay in switching over”, cited by just over half (52%, n=9) of respondents.

The remaining reasons were cited by between one and three respondents. Three respondents thought changing over automatic payments was a hassle and that it was hard getting new lines or equipment installed, two respondents had problems setting up the new phones and one respondent had problems with invoices.

Reasons for not finding switching easy

What were the reasons why you did not find it easy to switch?



Reasons for not finding it easy to switch		
	%	n=
Long delay in switching over	52	9
The hassle of changing over automatic payment or direct debits	18	3
Had to get new lines/equipment installed	16	3
Problems setting up the new phones	12	2
Problems with invoices	4	1
Other	10	2
Unsure	6	1

Base: Those that switched providers in the past two years and did not find it easy to switch (n=17)

Note: Multiple response question, percentages do not add to 100% and counts do not add to base

6.5 Reasons for not switching providers

Businesses gave two main reasons for not switching providers. Over half cited 'being happy with the service provided by their current provider' (55%) or 'being happy with the price of their current provider' (52%).

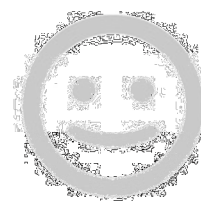
All other reasons were cited by much lower proportions, with 'being locked into a fixed contract' cited by 9%, 'switching being a hassle' cited by 8% and 'being happy with their current level of coverage' by 5%. Very small proportions cited 'being too busy to find a better deal' (3%), 'too much paperwork involved' (3%) and 'concern about break fees' (2%) as reasons.

Reasons for not switching providers

What are your main reasons for not switching?

Happy with service from current provider: **55%**

Happy with price of current provider: **52%**



Other reasons for not switching providers	
We're locked into a contract and would be difficult to break	9%
Switching seemed too much hassle	8%
Have good coverage with current provider	5%
Too busy to investigate the best deals available	3%
Too much paperwork to switch	3%
Concern about break fees	2%
Other	9%
Unsure	1%

Base: Those that did not change providers in the past two years (n=344)

Note: Multiple response question, percentages do not add to 100%

Industry comparisons

7.1 Competition across industries

Respondents were asked how competitive they thought six different industries, as a whole, were

Power companies were seen as the most competitive industry with just under half (47%) of respondents reporting they were competitive. They were followed by mobile voice and data providers on 44%. Although a slightly higher proportion believed power companies were competitive, a slightly higher proportion also believed they were not competitive (11% compared to 6% for mobile providers); when both of these ratings are taken into account, mobile providers recorded the highest net rating⁴ of competitiveness. Views particularly on the business mobile market were investigated in more depth in the final qualitative research phase.

The remaining industries were seen as competitive by between 30% and 35% of respondents. Fixed data providers were rated as competitive by 35%, followed by insurance providers (33%), fixed line access and calling providers (30%) and banks (30%). Banks also had the highest proportion rate them as being not competitive on 16%.

■ Demographics

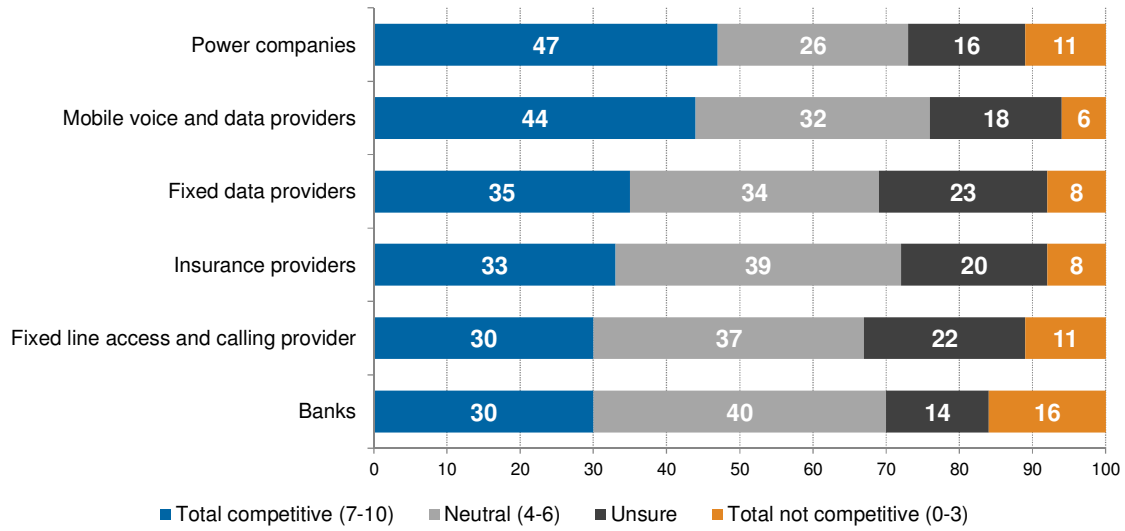
Those with headquarters in Wellington were more likely to rate mobile voice and data providers as competitive (57%) and those in Auckland were less likely (38%); this difference remained consistent across all the industries tested. There was also a difference between the regions with 53% in the North Island regions rating them as competitive compared to only 28% in the South Island.

Respondents in secondary industries were more likely to rate mobile providers as competitive (56%) compared to those in primary industries (22%). Those that had experience switching providers in the past two years (55%) and those that paid for at least six smartphones (54%) were also more likely to rate mobile providers as competitive.

⁴ The net rating is the total that gave a 'competitive' rating (7-10) minus the total that gave a 'not competitive' rating (0-3).

Competition across industries

Using a 0-10 scale where 0 means not at all competitive and 10 means extremely competitive, how competitive are the following?



Base: All respondents (n=400)

7.2 Ease of switching across industries

Power companies, as with the competitiveness rankings, led ease of switching. 61% reported it is easy to switch between providers (9% said 'not easy'). Banks were again rated at the bottom with only 34% rating them as being easy to switch between and 23% rating the switching process as being 'not easy'.

The remaining industries were all rated by between 44% and 50% as being easy to switch between. Insurance providers were rated by 50% as being easy to switch between, followed by mobile voice and data providers (49%), fixed data providers (48%) and fixed line access and calling providers (44%). When net ratings are calculated, mobile providers ranked second for ease of switching.

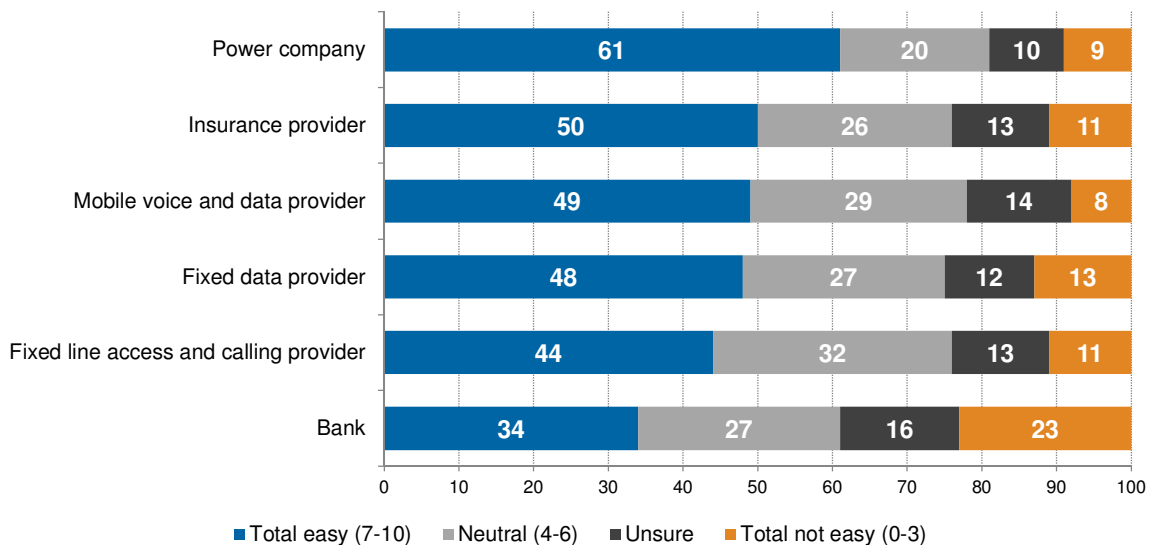
■ Demographics

Although those with their headquarters in Wellington were more likely to rate competition in the mobile voice and data industry higher than the average, they were also less likely to rate switching between providers within the industry as being easy (39%). In general, those in the South Island regions were more likely to rate switching providers as easy across the range of industries tested.

When looking specifically at mobile providers, those with high bills were more likely to believe it is easy to switch providers (57% that spend at least \$10,000 per month). Furthermore, those that actually had experience changing providers in the past two years were more likely to rate it as easy (56%).

Ease of switching across industries

Using a 0-10 scale where 0 means not easy at all and 10 means extremely easy, how easy is it to switch suppliers for the following services?



Base: All respondents (n=400)

7.3 Frequency of switching across industries

Power companies were the most frequently switched between, with 26% of respondents reporting having switched in the past two years.

Three of the other industries tested had similar rates of switchers with 16% reportedly having switched fixed data providers in the past two years, 15% having switched insurance providers and 13% having switched fixed line access and calling providers. Mobile voice and data providers fell in the middle of this group with 14% reporting having changed providers in the past two years.

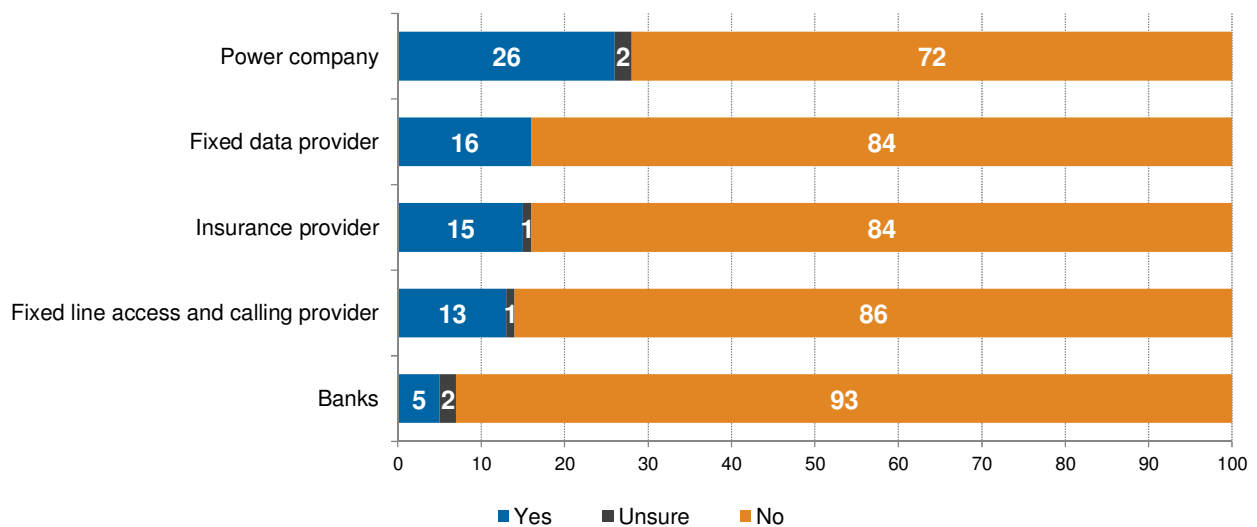
The industry with the lowest incidence of switching was banking, with only 5% of respondents reporting having switched banks in the past two years.

■ Demographics

Respondents with headquarters in Wellington were more likely to have switched their providers in the past two years across most of the industries tested.

Frequency of switching across industries

In the last two years has your company switched:



Base: All respondents (n=400)

Segments

Five different groups have been identified in the quantitative data. The question which asked about attitudes towards switching was used to initially separate three groups:

- Proactive switchers - “we are actively looking for a new provider” + “we intend to look for a cheaper provider when our contract is up”.
- Reactive switchers - “we would switch if we were offered a cheaper deal, but we are not actively looking” + “we would switch for better service, but we are not actively looking”.
- Non-switchers - “we are not interested in switching our mobile voice and data provider”.

The reactive switchers and non-switchers were then split again based on the size of the companies surveyed (by using the question about employee number).

Those with fewer than ten employees were considered to be smaller companies and those with ten or more employees were considered to be larger companies for the purposes of the segmentation.

The proactive group was not split further because the sample size for that group was not big enough.

There are some obvious demographic differences between the smaller and larger companies and their respective segments. Larger companies are more likely to pay for more smartphones with plans, pay for non-voice devices with plans and have higher monthly mobile phone costs.

After splitting the groups further by the size of the company we are left with five segments overall:

- **Proactive switchers** – those who are actively looking for a new provider or intending to once their contract is up.
- **Reactive switchers (larger)** – those businesses with more than ten employees, and who would switch if they were offered a cheaper deal or better service, but who are not actively looking.
- **Reactive switchers (smaller)** – those businesses with fewer than ten employees, and who would switch if they were offered a cheaper deal or better service, but who are not actively looking.
- **Non-switchers (larger)** – those businesses with more than ten employees, and who are not interested in switching mobile voice or data providers.
- **Non-switchers (smaller)** – those businesses with fewer than ten employees, and who are not interested in switching mobile voice or data providers.

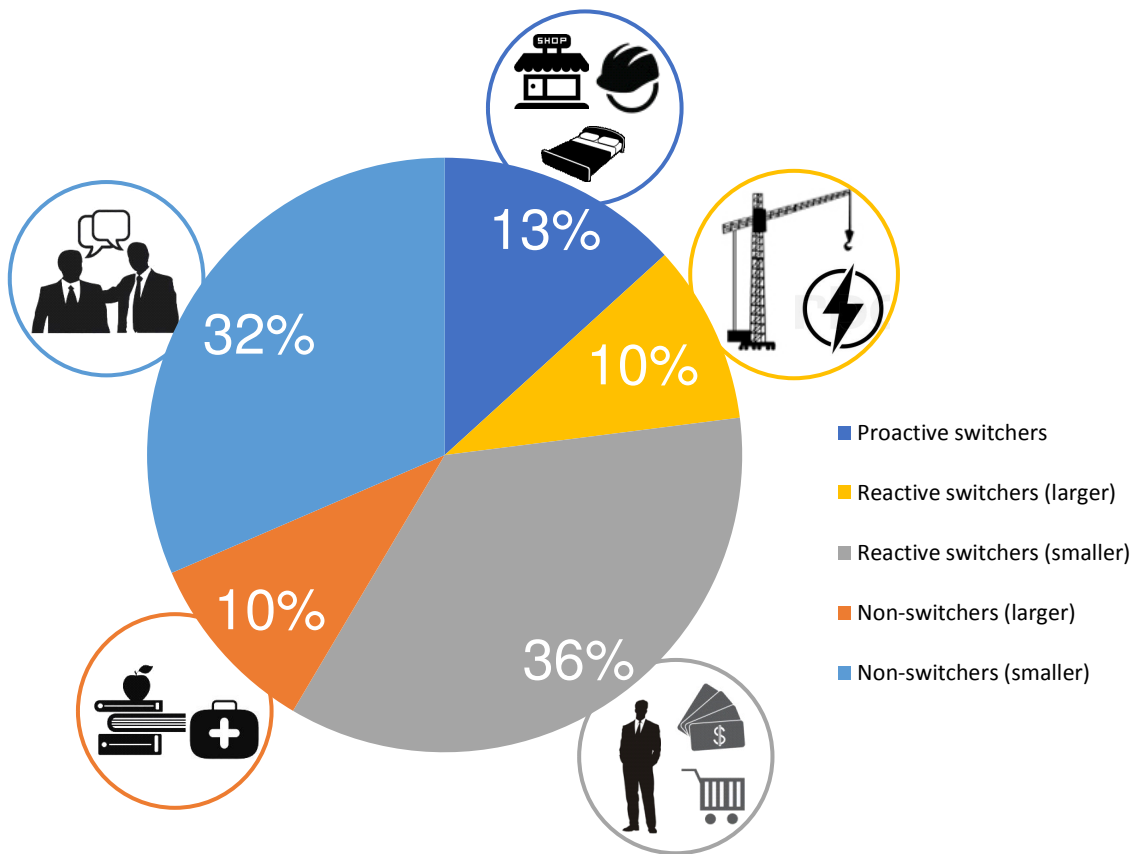
When examining the importance ratings given to the 14 attributes tested, smaller companies rated ‘good customer service’ and ‘being an established company’ as more important than larger companies, and rated the attribute ‘offering up-to-date or different solutions’ lower.

Reactive switchers rated 'being innovative and flexible' and 'having a good general understanding of business challenges' higher than non-switchers.

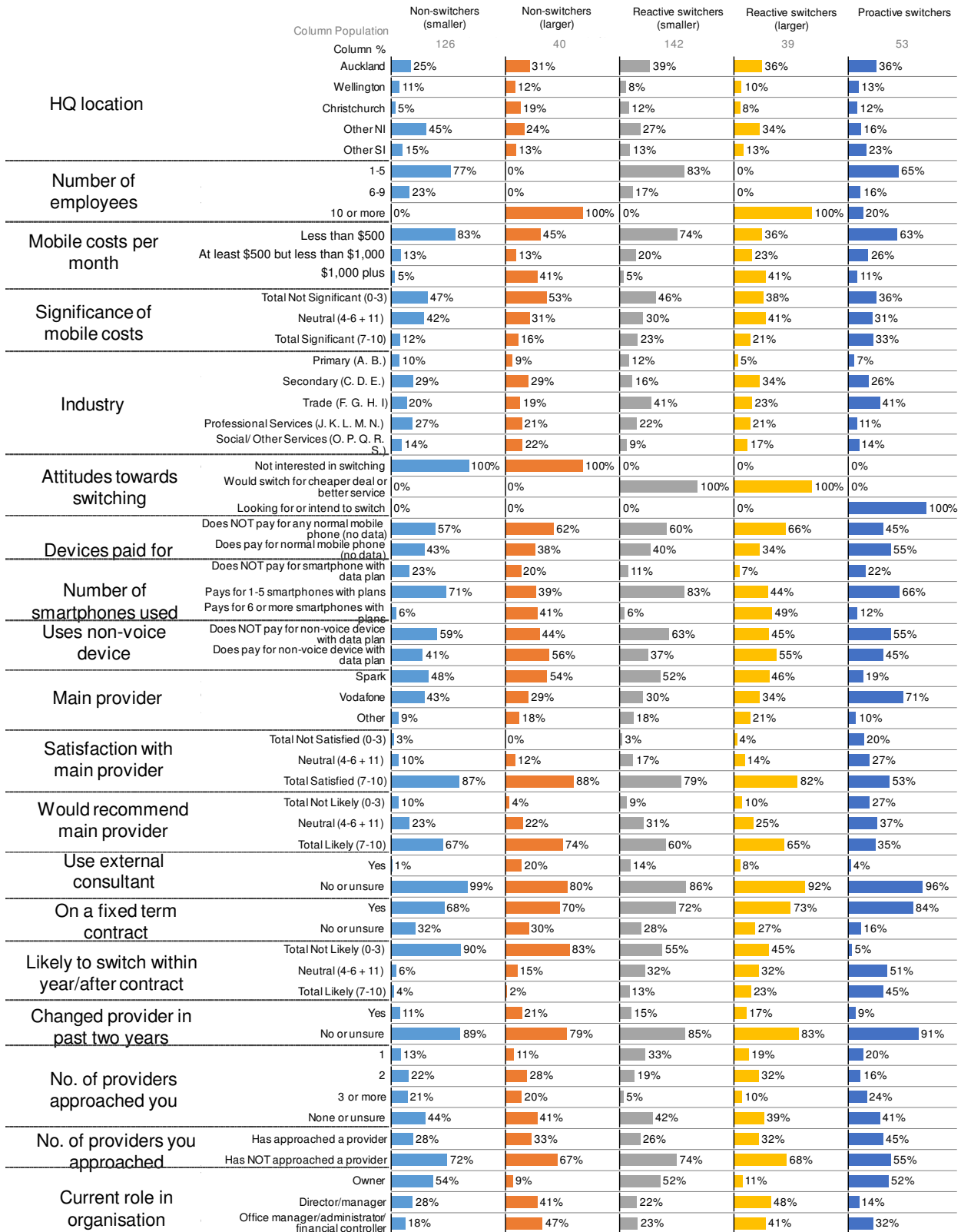
A summary of these groups is shown in chart below. The following section examines these segments in greater detail.

8.1 Segments as proportions of sample

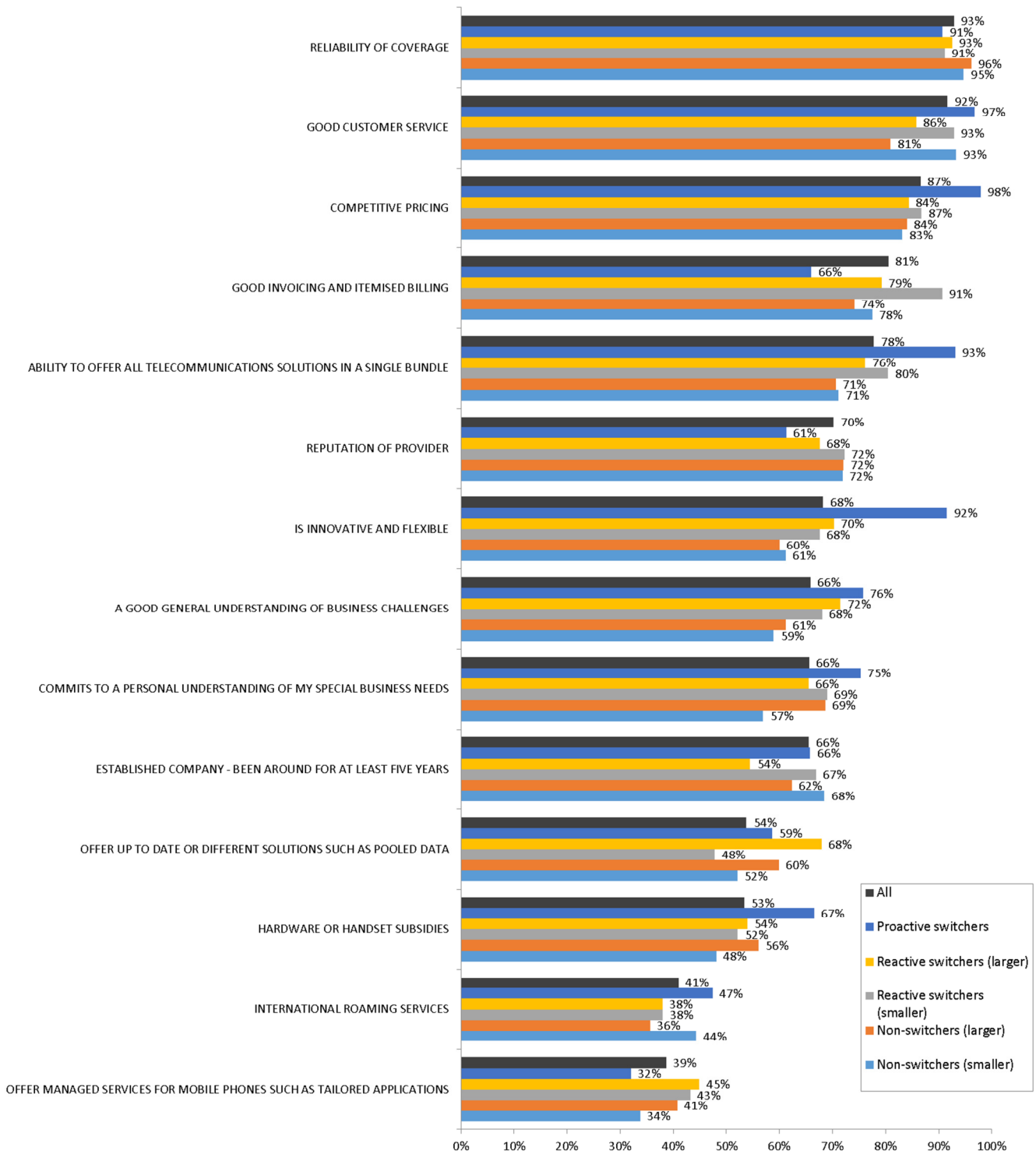
These proportions are based on the weighted sample population to give a better indication of how the segments may appear in the real world. This survey oversampled big business, so the two "larger" (with regard to employee numbers) segments which each have a proportion of 10% actually made up a larger proportion of the survey than the 10% shown.



8.2 Segment summary



8.3 Importance of attributes by segments



8.4 Individual segments

8.4.1 Proactive switchers - all (n=53)



This segment is much less likely than any other to be satisfied with their main provider (53% satisfied, 20% not satisfied). Only 35% would recommend their main provider to their friends compared to 60% - 74% for the other segments. When asked about their likelihood of switching in the next twelve months, 45% said they were likely, and only 5% said they were not likely. They are also the segment most likely to have approached another provider to switch in recent years, with 45% reporting they had done so within the past two years. A strong majority of this segment are currently Vodafone customers (71%).

The majority of proactive switchers are smaller companies employing five or fewer employees (65%). Only 20% employ at least ten people. As the rest of the segments are split by the number of employees, this is the only segment to have a mix of large numbers (at least ten) and a small numbers (fewer than ten) of employees. This segment is most likely to report that mobile voice and data costs are 'significant' compared to their other overheads, with a third reporting this to be the case.

The largest proportion of active switchers are trade industries (41%) followed by secondary industries (26%). They are slightly more likely to pay for a normal mobile phone (55%) than the other segments and two thirds of them pay for no more than five smartphones with plans.

■ Importance of provider attributes

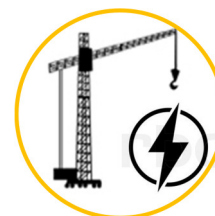
This segment gave higher importance ratings to most of the mobile provider attributes tested compared to the other segments; however, there were four attributes which they rated much higher than any other segment:

- Competitive pricing - 98% rated this as important (11% higher than the next highest segment rating).
- Bundled telecommunications solutions - 93% rated this as important (13% higher than the next highest segment rating).
- Innovation and flexibility - 92% rated this as important (22% higher than the next highest segment rating).
- Hardware or handset subsidies - 67% rated this as important (11% higher than the next highest segment rating).

There were also two attributes which were rated as much lower in importance compared to other segments' ratings:

- Good invoicing and itemised billing - 66% rated this as important (8% lower than the next lowest segment rating).
- Provider reputation - 61% rated this as important (7% lower than the next lowest segment rating).

8.4.2 Reactive switchers - larger (n=39)



This segment is the second most likely to believe they would switch mobile providers in the next twelve months or when their fixed contract ends. 23% believe this is likely and 32% are neutral - less than half (45%) believe it is not likely.

This is the segment with the largest companies; 53% of this segment had at least 20 employees and 7% of it had at least 100 employees. The distribution of company headquarters around the country in this segment is similar to the overall distribution. This segment spent the most on mobile costs monthly with only 36% spending less than \$500 per month and 41% spending at least \$1000. Even so, just 21% said this cost was significant compared to their other overheads.

The largest proportion of this segment are in secondary industries (34%). They are the least likely to pay for a normal mobile phone without a plan (34%) and the most likely to pay for six or more smartphones with a plan (49%).

The same proportion of this segment use Spark as their main provider as the overall sample (46%), but they are slightly less likely to use Vodafone (34%), and more likely to use 2degrees (15%). The majority of them are satisfied with their current provider (82%).

■ Importance of provider attributes

This segment was much more likely to rate 'offers up-to-date or different solutions such as pooled data' highly compared to the other segments (68%) and slightly more likely to rate 'offers managed services for mobile phones such as tailored applications' highly (45%).

It gave the attribute 'is an established company (been around for at least five years)' a lower rating of importance compared to the other segments (54%).

8.4.3 Reactive switchers - smaller (n=142)



Rather like the other reactive switcher segment, the majority of people in this segment are satisfied with their current provider (79%).

Just over half of this segment (55%) believe they are likely to remain with their current provider over the next twelve months or when their fixed contract ends; 32% are neutral and 13% believe it is likely they will switch providers.

This segment consists of smaller companies with a reactive switching attitude. It is the segment with the smallest companies, with 83% of them employing five people or fewer. Its mobile costs are correspondingly small with 74% of them spending less than \$500 per month. A similar proportion of this segment declared its monthly mobile costs to be significant as did its larger reactive switcher counterpart (23%). Similar to proactive switchers, the largest proportion of this segment are trading companies (41%). This segment is among those most likely to pay for at least one smartphone with a data plan with 83% paying for between one and five smartphones with data plans. They were the least likely to pay for a non-voice device with a data plan (63% did not).

Compared to the overall figures, a slightly higher proportion use Spark as their main provider (52%); 30% use Vodafone and 12% use 2degrees. Importance of provider attributes

This segment gave a higher rating to 'good invoicing and itemised billing' (91%) and, along with the other small company segment, to 'good customer service' (93%).

8.4.4 Non-switchers - larger (n=40)



The vast majority of this segment say it is not likely they will switch providers within the next year or when their fixed term contract ends (83%), with just 2% reporting a switch is likely.

This is the segment with the second largest companies; 65% of this segment employs between 10 and 19 people, 23% employs between 20 and 49 people and 12% employs at least 50 people. Similarly to the big reactive switchers segment, 41% spend at least \$1000 per month on mobile costs, but they are slightly less likely to say this cost is significant compared to their other overheads (16%). This segment is more likely to consist of companies in the social or other services category of industries compared to other segments (22% vs. 13% overall), but the largest proportion of companies in it belong to secondary industries (29%).

They are much more likely than the overall population to pay for at least six smartphones with a plan (41%) and a non-voice device with a plan (56%). Compared to the overall figures, a slightly higher proportion use Spark as their main provider (54%); 29% use Vodafone and 11% use 2degrees. They are the segment most likely to declare satisfaction with their current provider (88%) and most likely to recommend their current provider to others (74%). They are also most likely to use an external consultant to help them choose their mobile voice and data provider (20%).

■ Importance of provider attributes

This segment was slightly more likely to rate 'reliability of coverage as important' (96%) compared to reactive switchers. They were less likely to rate 'good customer service' as important (81%), though overall it was still their third-highest rated attribute. Along with the smaller non-switchers, they were less likely to rate 'being innovative and flexible' (60%) and 'having a good general understanding of business challenges' (61%) as important.

8.4.5 Non-switchers - smaller (n=126)



This segment was the least likely to say they would switch providers within the next year or when their fixed term contract ends, with 90% reporting switching is not likely.

This segment has the smallest companies, with 77% of them employing five or fewer staff and the remaining 23% employing fewer than ten staff. Their company's headquarters are most likely to be based in the North Island regions (45%).

They have the lowest mobile bills (83% have mobile costs under \$500 per month) and are also least likely to say their mobile cost is a significant overhead (12%). The majority pay for five or fewer smartphones with plans (71%). They are more likely to be companies offering professional services than the other segments (27%), though the largest proportion of companies in this segment belong to secondary industries (29%).

This segment has the smallest difference between those that use Spark as a main provider (48%) and those that use Vodafone as a main provider (43%) than any other segment. 87% are satisfied with their current provider and 67% of them would recommend their current provider to others.

■ Importance of provider attributes

As mentioned earlier, this segment was more likely to rate 'good customer service' as being important (93%). Along with the bigger non-switchers, people in this segment were less likely to agree that 'being innovative and flexible' (61%) and 'having a good general understanding of business challenges' (59%) are important. They were much less likely to agree that their mobile provider needed to 'commit to a personal understanding of their special business needs' (57%) and was slightly less likely to believe that 'hardware or handset subsidies' are important (48%).

This segment of small non-switchers shared similarities with proactive switchers for two attributes - both segments were slightly more likely to agree 'international roaming services are important' (44%) and less likely to agree 'managed services for phones such as tailored applications are important' (34%).

Targeted qualitative research

■ Background

- 20 follow-up depth interviews with businesses identified in the quantitative research stage.
- Respondents were segmented according to attitudinal and switching behaviour in the quantitative stage and a component of the targeted qualitative research was conducted with specific segments to further understand what drives their behaviour and shapes their views.
- This stage of research also gained particular insights around four factors of primary importance to decision-making as identified from the initial qualitative and quantitative phases:
 - Coverage
 - Cost
 - Customer service
 - Confidence.

9.1 Segmentation profiles

■ Proactive switchers

Archetype

Rachel runs a local franchise of a large nationwide chain store. She's at the start of her career but has already had management mentoring through her last employer - a household name - and is rigorous in applying those lessons in this new role. Looking for cost savings and better ways of doing things is what she sees herself as there to do.

She's into technology and knows that it has the power to streamline business and create efficiencies. Over the past few years the business is using more devices and more data - there are moves centrally to use custom software on phones and tablets which will make them even more important. Despite this, the overall daily business needs in terms of mobile services are fairly straightforward - there's no massive IT infrastructure for example. Telecommunications services are currently bundled (broadband, landline, mobiles) but she sees no particular reason that this is preferable or necessary. If she could save a bit of money without any hassle, splitting them up would be a "no-brainer".

Rachel is keen to get everything running as smoothly as possible and is highly price sensitive. This "deal-seeking" extends to almost all areas of the business and she keeps a constant eye out for new offers. She's not particularly loyal to any supplier, and believes that it's very easy to change. She feels that she's got the luxury of enough time to weigh up options properly and the fact it's not thousands of phones to change, like it would have been in her last job, makes it seem fairly straightforward. She's assertive with sales reps and is prepared to make suppliers work for her custom. They need to show they're keen for her business, know their stuff, and have some good ideas to help her out. They need to be highly informed and highly responsive.

In the past her decisions have been driven primarily by price - these reviews of suppliers happen at least yearly because she knows that technology changes fast, and there are new handsets and deals coming out all the time. Business practices are changing frequently too. Price is definitely her dominant concern but she factors in customer service too. If that's obviously outstanding she may cut a supplier a little slack on price, but only if it's close.

Staff turnover is fairly high and she needs it to be easy to get employees on and off plans as people come and go. She doesn't have time to waste sorting these things out, or expect to get stung with extra charges. This kind of service is factored into the overall value equation.

■ Segment characteristics

- Switching is the norm personally and professionally
 - These people tend to be younger.
 - They typically display “deal-seeking” behaviour across all services.
 - They’re highly price sensitive.
 - They believe that switching is very easy.
 - They’re often into technology, understand it’s changing, and want to “keep up”.
- For smaller businesses
 - Many undertake regular cost reviews given small margins.
 - Coverage problems, poor service, or new handset needs are all potential triggers for switching.
- For larger businesses
 - Tend to be driven by greater use of new technology, for example apps and other online services.
 - For many it is business practice to tender every two years and they do this for all suppliers.
 - One Australian-owned business was particularly price driven.
 - Many respondents were from mature industries with relatively little potential growth, thus cost reduction is a major focus.
 - Some switching with larger businesses is constrained by rebate offers from their current supplier.

■ Reactive switchers

Archetype

Justin is the accounts manager at a provincial nursery. There are five phones on the business plan, three of them getting constantly “bombarded” with calls.

These three phones are the mission-critical ones, and coverage is of the utmost importance. While data is a bit more relevant than it used to be, with employees starting to share internal company info on services like Dropbox - voice is still the priority. The IT needs of the business are fairly slim and that doesn't appear likely to change much over the coming years, most important is that everything just works the way it should - it doesn't all need to be cutting edge.

Price comes in second as a concern to coverage and there would need to be a significant price difference to make switching seem worthwhile. It's just that other things are more important; growing the business is the number one priority right now and the mobile bills aren't so large that they seem like investing significant time in.

Justin understands that it's important to test the market every couple of years to make sure that they're still on a competitive deal but isn't driven to do this outside the contract window, there's too much else to focus on and their service needs don't change very often.

As a small business, he believes that loyalty matters - but actually doesn't feel that much towards the big telcos who aren't there to do any favours for businesses like his. The nursery has tended to switch between Vodafone and Spark every couple of years “to keep them honest” and they expect to be approached by at least the big two fairly regularly with offers to cast an eye over. They've switched a few times so see it as fairly straightforward, and quite often they've saved a bit by doing so.

Nothing much ever goes wrong with the phones. Justin's never been on the line to the call centre and assumes that should he need to get in touch with someone to sort out a problem he'll be able to. He's heard that service can sometimes be a problem for others, which is another reason he's generally content to let things just tick along unless prompted.

■ Segment characteristics

- Mobile phones are a low priority
 - Cost is important but these people are more focussed on business growth.
 - There needs to be a significant benefit to switching: cost or perhaps speed or some other new service.
 - Many have a relatively low number of phones so potential switching savings are small.
- Market assessment is somewhat of a formality
 - There's no expectation of big price or service differences, so checking is done more in discharge of due diligence.
 - Many are fairly loyal and won't change while they're happy with their current service, and most are.
 - Those suppliers they do chase usually have a significant quality differentiator if not price - and there's no such belief that this exists for them in the mobile market, particularly given their modest IT needs.
- Where cost saving is significant though, they'll give serious consideration
 - But will often go back to their current supplier first for a counter-offer – many are highly loyalty-driven.
 - Larger businesses tended to need specialised IT and technical expertise and this was a barrier to change, with some mentioning the need for a “testing window”.

■ Non-switchers

Archetype

This family run furniture-making business has been around for 40 years. Those responsible for decision-making are older, less tech-savvy and not interested in technology.

Even though margins are often slim, and in some areas they might be prepared to seek deals in an effort to save costs, this isn't a primary driver of decision-making. Over the years they've worked hard to build strong relationships with a variety of suppliers on whom their business relies and they treat mobile providers like this as well.

They only have a few phones and don't use much data, so the money they spend on mobile services isn't a significant cost to the business - saving a few dollars just isn't a priority for them. They suspect that the deals out there are "all much of a muchness" anyway and think it'll probably be hard to make sense of all the different plans and options. There's a bit of a sense of "better the devil you know" - they're wary of getting sucked into a deal that looks good initially but turns out to have fish-hooks.

They prefer to concentrate on providing good customer service, product development, and chasing up business leads than "change for the sake of it", especially given the risk that something could go wrong in the change to a new provider and the time it might take to get to know a new mobile representative.

They've been with Telecom for their landline since the early days and have simply added other services over the years. They now have broadband, landline, and mobiles with Spark and prefer a single provider for ease of billing. Their technical needs are low and they never have any significant problems - they just don't see any reason to change or to get tied up in the hassle of comparing all the complicated details.

- Overall, they just don't see a compelling case for change
 - They're generally satisfied or very happy with their current set-up.
 - They don't have much call for customer service.
 - They have low technical needs, these are currently being met, and they have never, or hardly ever, had any significant problems with their phones or services.
 - They believe that deals from mobile providers are all "much of a muchness" anyway.

- Loyalty matters to them
 - They're more traditional, and feel a higher degree of loyalty to their current provider.
 - They treat most suppliers with similar degree of loyalty: "We want customers to be loyal to us, so think it's important to show it to others".
 - When approached they will typically give the 'right of reply' to their current supplier.
- Mobile spend generally not seen as a significant cost to the business
 - Many are smaller businesses, so the cost of mobile service is often at the lower end and not seen as being worth worrying too much about.
 - There's a common sentiment that there are more important things to focus on.
- They have a stronger belief that switching would be a hassle
 - Decision-makers tend to be older, less tech-savvy, and not as interested in technology.
 - Some worries are evident with regard to potential billing changes, device changes, and getting a new account manager.
 - Services are frequently currently bundled, and they don't really like the idea of having to split these services up.
- Some unique service needs are relevant
 - For some of the smaller, rural or provincial businesses they believe they can only get reliable coverage from Spark.
 - Some businesses were so heavily reliant on mobile voice and data that they couldn't afford any downtime at all. In this circumstance almost any risk of service disruption, however small, was seen as offsetting any anticipated (small) saving.

9.2 Choice criteria

This research phase reinforced the previous findings, suggesting that the four main factors driving provider choice are: coverage, cost, customer service, and provider confidence.

- The overall order in terms of priority of these factors was highly dependent on individual circumstances, for example a poor historic customer service experience often raised that factor in importance for future decisions.
- Most significantly though, respondents were split on “coverage” which was either seen as critically important or was not viewed as an issue at all.
- Generally urban businesses didn’t see coverage as an issue - their expectations and experiences were that this wasn’t a problem for the situations in which they operate, and if it was patchy, that was expected of all providers e.g. When working in a thick-walled concrete building.
- However, respondents agreed that if coverage was insufficient, that would be a decisive factor in their choice of mobile provider (or, more accurately, the elimination of one).
- This was the case for many of those in provincial or rural settings, and perhaps disproportionately affected 2degrees, based on reports from their previous customers.
- In terms of prioritising the four factors, there were thus broadly speaking, two orders:
 - Coverage > cost > customer service > confidence (mainly provincial/rural).
 - Cost > customer service > confidence > coverage (mainly urban).

9.3 Coverage

Perceptions of coverage were seen as being determined by:

- Failure to make or receive calls and/or dropped calls and “black spots”
 - Some references to “lack of bars” on phones or calls going straight to voicemail.
 - Particularly an issue provincially and rurally, much less of an issue if the business was urban-based.
 - Coverage is of particular concern when business representatives or service-people are on the road full-time.
 - There were some references to difficulty with holiday or weekend houses (particularly in the context of senior staff wanting to work from those places).
 - There were fairly frequent references to “black spots” in places that are not considered “remote”.
 - There was also a general acceptance that no provider will be perfect and as long as they’re mostly good, people are generally prepared to tolerate minor inconveniences.

- Many remarked that they only notice coverage issues when they're travelling.
- Data connectivity (separate to voice calls and sending texts via SMS)
 - For some this means 3G internet connectivity - simply the general ability to receive email, and check websites.
 - Many reference the speed of receiving attachments or viewing webpages.
 - For others, "coverage" increasingly means high-speed 4G connectivity.
 - There is evidence that this is becoming the new expectation and yardstick of "connected", especially in terms of needing to tether devices to do "proper" work while on the road.
 - Data is clearly increasingly important for many businesses, even those that wouldn't see themselves as particularly technologically advanced e.g. Getting real time stock updates, job logging, shared document retrieval.
 - One large business reported more complaints about data than voice coverage, despite the business view that voice coverage was far more important.
- Call quality
 - Respondents expect clear voice calling ("I don't want crackling on the line").
 - Though some acknowledged that perceived problems could potentially be due to handsets and hands-free car kits as well.
- Overseas roaming
 - When some respondents talked about "coverage" it was the availability of international roaming that was top of mind.
 - This extended to the price of roaming. If the price is seen to be unreasonable, and employees are unlikely to use it, (or encouraged not to by finance departments) - and this is as good as not having roaming/coverage.

■ Views of coverage

Provider scores:

- Spark: 8.
- Vodafone: 7.5.
- 2degrees: 6.5 (with more 'unsure' responses).
- Respondent views of 2degrees' coverage is often based on word of mouth or from personal use of 2degrees. For some it was merely "an impression".
- Between Vodafone and Spark, each are thought to have coverage issues in different places, but overall are felt to be much of a muchness.
- Some people just assume that all three providers will be fine coverage-wise in main centres.
- Several respondents had ruled out 2degrees based on coverage experiences or rumours: "They're not great outside the main centres".

■ Vodafone roaming agreement

- Only a vague recollection with some respondents that 2degrees has a roaming agreement with another network, but many are not sure which network.
- Some people expressed concern about the tenure of the roaming agreement - "Will we be left in the lurch if it comes to an end?"
- On prompting, respondents were split on whether the agreement it was good or bad.
- Even those who knew about it and generally thought favourably of it anecdotally reported "grey areas" where coverage was felt to be sub-par.

Pros:

- Some would rate coverage the same as Vodafone on this basis of the roaming agreement.
- It's seen as providing a demonstrable coverage 'benchmark'.
- Most are comfortable with "piggy-backing" - common analogy is that "everyone does this for internet".

Cons:

- For some it adds an additional service risk given the perceived opacity of the roaming agreement - which people feel could end at any time.
- Several expect Vodafone to provide a lower quality service to 2degrees.
- Some respondents worry about a "blame game" resulting if there were to be any issues.

How respondents would investigate coverage issues:

- Predominantly, word of mouth
 - They'd talk to other businesses.
 - They'd approach friends, and particularly younger people (teens are seen to be in the know).
- They'd rely on assurances and the credibility of sales people.
- They may ask for 'test' devices and get staff to take them on the road or get staff to use personal phones and conduct tests.
- Many would read reviews and online forums or simply search Google.
- Some would approach providers directly, either asking or going to the website to see coverage maps and the number and locations of cell towers.
- Others report keeping a 'background' watch on the mainstream media looking for evidence of expansion.

9.4 Cost

Overall:

- By almost all respondents, "costs" were conceived of broadly and were seen to encompass the overall costs of the mobile plan including bundle discounts, handset subsidies and so on.
- These extra benefits were thought to be much harder to compare or assess between providers than the "old style" price-per-minute or monthly charges.
- There was some suspicion that it's made confusing on purpose.
- There was some acknowledgement that in a competitive market, providers have to try what they can to differentiate or provide additional value - and with tight margins this is really all they've got.

Cost was thought to cover:

- Monthly charges.
- Bundling of landline and internet.
- Phone subsidies and hardware credits.
- Other rebates.

- Plan bonuses such as pooled data and minutes - or a customised plan that works specifically for their business.

A variety of other factors came through at a lower level:

- For some, cost also encompassed elements of customer service and coverage - bundled into people's minds as overall "value". For example, several mentioned the "cost" of wasting time when things go wrong or waiting on hold with a call centre.
- Roaming charges overseas.
- Voice mail.
- Piggy back phones e.g. Adding their own customers to their company business plan.
- Rollover data.
- Loan phones if needed.

■ Views of cost

Provider scores:

- 2degrees: 8.5.
- Vodafone: 7.5.
- Spark: 7.
- The degree of difference on cost between the companies is thought to be diminishing.
- 2degrees are often known to be or anticipated to be slightly cheaper: "They're trying to get a foothold".
- Many respondents are sceptical of any significant long-term savings with either of the big two.
- There's a general acknowledgement that prices have come down a lot over the last ten years or so and this is expected to continue: "The whole deal we're on now for the business is cheaper than what I was paying for my first cell phone".
- Some credit is given to 2degrees for this, who are thought to have been responsible for helping to drive down prices overall.
- Mobile prices are generally felt to be within 10-20% of each other, with several respondents saying even lower: "The difference is in single digit percentages".
- There are some suspicions that "You get what you pay for" and 2degrees might provide less of a service offering (features and/or robustness) merely because it's cheaper.
- Several respondents expressed a frustration at being forced to pay for features that they won't use and note that personal plans seem more flexible than business plans.
- Several thought that 2degrees costs might eventually rise: "They're getting people in with sweeteners but going forward the cost will have to go up".
- Some felt that prices are changing fairly fast along with changing technology use, and felt that this was a strong reason to keep an eye on the market.

How respondents would investigate costs:

- Some wouldn't expect to have to investigate, their impression is that companies would approach (and are approaching) them. They'll then provide a selection of their bills to allow providers to tailor an offer.
- Some would simply review website pricing, though many state that they don't see this as a particularly accurate way to get a real sense of overall costs.
- They'd look at advertising.
- They'd rely on word of mouth for an overall sense of ballpark figures.

- Larger businesses would go out to tender.
- Smaller business would generally go into their retail shops or ring up for pricing.

9.5 Customer service

In general terms, “customer service” was thought to cover:

- The ability to get hold of a representative when you need them.
 - Call centres were frequently mentioned in this context.
 - There’s a clear dislike of long waits on hold and delays in reaching “a real person”.
 - Respondents don’t like overseas operators and report often finding these communications difficult.
 - Furthermore, their sense is that New Zealanders understand local business better.
- Getting problems fixed quickly and painlessly.
- Good communication as things are being resolved.
- General care: “Someone who looks out for us as a customer”.

More specifically, respondents spoke about:

- The crucial role of the account manager for larger businesses (a single point of contact is felt to be hugely important) - but respondents not that quality is typically variable.
 - Some managers are seen as “going the extra mile” - will provide risk management plans, IT solutions and so on.
 - There’s a desire for someone who keeps in regular contact.
 - And a preference for people who understand business.
 - One respondent went as far as to say that they would follow their account manager to another company
- Staff in retail shops.
- Mobile operator representatives: “reps”.
- Use of an online portal - thought acceptable as long as issues can be effectively resolved.
- There were some mentions that third party suppliers can be as good as specialised companies though, some thought better than others, the best being able to provide bundled IT solutions.

- Business are after a sense that the support team understands business, and is able to provide appropriate solutions.
- They want a high-trust, open and transparent relationship.
- They would like to see pricing reviewed proactively (but note that almost no-one does this).
- There's a strong desire to have the account manager keep things running smoothly rather than "cleaning up the aftermath" - needs to be seen to be putting effort in.

■ Views of customer service

Provider scores:

- 2degrees: 7.5.
- Vodafone: 6.5.
- Spark: 6.
- Some suspicions that 2degrees would be working harder on customer satisfaction, hence increased expectation of good service.
- Several respondents thought that perhaps fewer customers would mean shorter wait times for attention.
- Poor ratings for Vodafone were generally based on poor customer service experiences - inaccurate billing, difficult changeovers, lengthy number ports, long wait for new phones, coverage issues.
- Spark was seen as "okay" by many but perhaps not as keen to win business - potentially another indication they might be picking customers strategically.
- The overall Spark customer service score was lowered by a number of unfavourable experiences: including no answer from a call centre combined with "incompetent" follow-up and a situation in which new phones were billed for when that was not the agreement the client felt they had entered into.
- Another respondent directly compared proactive response from the Vodafone call centre she gets on her personal mobile from what was characterised as ponderous, reactive service she gets from the business rep through Spark.
- Fairly low levels of reported 2degrees contact across respondents.

How respondents would investigate customer service:

- They'd assess the credibility of sales people and reps - either on the phone or face to face.
- Word of mouth - other businesses, or referees.
- They'd use online forums and reviews.

- Some would try calling the call centre to test wait times and helpfulness.
- Some respondents indicated they would look to how companies treat employees to get a feel for how they might treat customers. There was one highly favourable anecdote regarding 2degrees in this setting.

9.6 Levels of confidence

Confidence in a mobile operator is determined by:

- Trust in delivery of company services.

This assessment depends on:

- Meeting expectations, keeping promises, and fixing problems.
- Not hiding costs.
- Meeting assurances of coverage.
- Providing guaranteed service levels.
- Maintaining equipment well, and having redundancy if things go wrong.
- Having technical expertise in-house, not being overly reliant on third party/small providers.
- The degree to which they're seen to innovate in the marketplace.
- Having enough scale to provide everything the client might need.
- Trust in the company itself - "viability/stability".

This assessment depends on:

- Longevity and size.
- For Vodafone, international presence.
- Against Spark, "constant restructuring".
- Perceptions of financial stability, sometimes knowledge of investment sources.
- The view that it's a good corporate citizen.
- The degree to which they're thought to be investing in infrastructure for the future.

■ Views of confidence

Provider scores:

- Vodafone: 8.
- Spark: 7.5.
- 2degrees: 6.

2degrees lower rating is driven by:

- The fact that they're typically still seen as being fairly new players.
- Perceptions of an unproven track record with the business market.
- Where Vodafone and Spark were given poorer ratings these were generally based on not meeting specific promises and poor historic customer service experiences.

How respondents would investigate "confidence":

- Media reports in terms of overall confidence.
- Word of mouth, especially social media and informal discussions with other clients and businesses.
- Consumer ratings.
- Reassurance from sales people.
- Online reviews and Google searches.
- Company websites themselves.
 - A number noted that the 2degrees' website did not seem to focus adequately on the business market.
- A couple noted poor follow-up after having lodged a query.

9.7 Satisfaction

There was no major agitation for change of providers with overall satisfaction ratings for incumbents fairly high.

- Satisfaction was heavily contingent on the service provided by the account manager (particularly for larger businesses).
- Customer service issues and poor coverage were the other two main drivers.
- Feedback suggests Spark has potentially been more strategic on who they are targeting in terms of business customers.

9.8 Industry competition

Respondents were split on whether the business mobile market was competitive.

- Their first answer was generally that it was.
- Though on reflection many thought it could be significantly better.
- 2degrees gets some credit for being seen to have increased competition and having forced Spark and Vodafone to “raise their games”.

The market was thought competitive because:

- The number of players in the market is thought about right for the size of New Zealand.
- Businesses have a choice of provider.
- Costs and services are seen to have improved.
- Prices are thought to have gone down.

Those who thought it was not competitive cited:

- Perceptions that mobile services are expensive compared to other countries.
- Data was thought to be particularly expensive.
- Desire for a broader and more flexible range of service offerings with regard to mobile plans.

Conclusion

Currently, the business mobile market is mainly concentrated across two providers and switching intentions remain low (14% either actively looking for a new provider or intending to look for one when their contract is up).

However, there appears to be no evidence of anti-competitive behaviour and/ or structural/ legal or systemic factors that is causing market concentration or inhibiting the dynamics of the business segment from developing beyond the static distribution of market share.

A number of other factors appear to be influencing market concentration and the lack of traction by a third provider, including - satisfaction with the current provider's service and price, being under contract, perceived hassle involved, perceptions of good coverage, and for some apathy to change given the low input cost of mobile services.

In the qualitative research, businesses that investigate other providers seriously, frequently rule out 2degrees because of specific needs such as a desire for bundling or a particular service e.g. provision of a landline, or in the case of Vodafone or Spark because of negative historic service experiences.

For those providers surviving this preliminary screening stage, consideration is then typically given to four main factors: coverage, cost, customer service, and confidence. 2degrees loses heavily on perceptions of coverage and confidence and is not considered far enough ahead on cost and customer service to be competitive overall. They are weakest on 'confidence' with many not aware of their experience in the business market and the ability to cater to the needs of businesses. Longevity is also an issue with many saying that ten years was the milestone they viewed as the length of time required to show that a company is established and likely to be around for the long haul.

Despite the challenges mentioned directly above, there appear to be good opportunities for 2degrees to expand market share.

Appendix

11.1 Demographic profile

Sample information/ demographics

	All
	%
Position	
Owner	44
Director/manager	27
Office manager/administrator/financial controller	27
Other	2
HQ location	
Auckland	33
Wellington	10
Christchurch	10
Other NI	32
Other SI	15
People employed	
1-5	62
6-9	15
10-19	12
20-49	7
50-99	2
100 plus	2
Organisation structure	
Private or publicly listed company	95
Local authority/Government owned or department	3
Charity or not-for-profit organisation	2

Base: All respondents (n=400)

Fixed voice solution/infrastructure providers

	All
	%
Main provider for fixed voice solutions (line access/calling)	
Spark	49
Vodafone (Telstra)	30
CallPlus/ Slingshot	3
Intagr8	2
2talk	1
Digital Island	-
2degrees	-
Other	11
Unsure	4
Main provider of fixed voice infrastructure (PABX/VoIP)	
Doesn't apply	61
Vodafone	11
Spark	9
Other	9
Unsure	5
2talk	2
Cogent	1
Intagr8	1
CallPlus	1

Base: All respondents (n=400)

11.2 Data tables

11.2.1 Data plans and providers

Frequency of mobile voice and data plans

So thinking about mobile voice and mobile data solutions - how many of the following devices does your business pay for? Just tell me when I read out the appropriate number range.

	Mobile phones without data plans	Smart phones with data plans	Data plans for non-voice devices like tablets and laptops
	%	%	%
0	58	17	57
1-5	38	69	37
6-9	2	7	3
10-19	2	4	1
20-49	-	3	1
50-99	-	-	1
100 or more	-	-	-
Unsure	-	-	-

Base: All respondents (n=400)

Network providers used

*Which of the following providers do you use for mobile voice and data solutions?
And which provider do you consider to be your MAIN provider?*

	Providers used	Main provider
	%	%
Spark	50	46
Vodafone	45	40
2Degrees	10	8
CallPlus	3	3
Orcon	1	1
Other	2	2
Unsure	-	-

Base: All respondents (n=400)

Expenditure on mobile phone costs

Thinking about your mobile phone costs - in a typical month would you say your business spends at least \$5,000 on mobile phone costs?

	All %
Yes	4
No	94
Unsure	2

Base: All respondents (n=400)

Expenditure on mobile phone costs

Which of the following best describes how much your business spends on mobile phone costs per month?:

	All %
Less than \$500	67
\$500 but less than \$1,000	18
\$1,000 but less than \$1,500	4
\$1,500 but less than \$2,000	1
\$2,000 but less than \$3,000	3
\$3,000 but less than \$4,000	-
\$4,000 but less than \$5,000	1
\$5,000 but less than \$6,000	2
\$6,000 but less than \$7,000	1
\$7,000 but less than \$8,000	-
\$8,000 but less than \$9,000	-
\$9,000 but less than \$10,000	1
\$10,000 or more	-
Unsure/refused	2

Base: All respondents (n=400)

Cost of mobile voice and data considered significant

Thinking about how much your business spends on mobile voice and data per month how significant is this cost compared to other business overheads? Using a 0 to 10 scale where 0 means cost is NOT significant, and 10 means cost is VERY significant.

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	34	159	184	400
	%	%	%	%
10 - Very significant	1	3	6	5
9	-	1	2	1
8	2	9	7	7
7	12	4	8	6
Total significant (7-10)	15	17	23	19
6	5	6	9	8
5	11	13	22	17
4	3	10	5	7
3	22	13	7	10
2	15	9	17	14
1	11	6	6	6
0 - Not significant	18	23	6	15
Total not significant (0-3)	66	51	36	45
Unsure	-	3	5	4
Base: All respondents				

Incidence of fixed term contracts

Are you on a fixed term contract with your mobile voice and data supplier?

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	34	159	184	400
	%	%	%	%
Yes	76	75	70	73
No	18	24	23	23
Unsure	6	1	7	4
Base: All respondents				

Length of fixed term contract

How long is your fixed term contract?

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	26	120	128	290
	%	%	%	%
One year	15	24	10	17
Two years	48	63	78	69
Three years	15	7	3	6
More than three years	-	-	1	-
Unsure	22	6	8	8
Base: Respondents that are on a fixed term contract				

Knowledge of fixed term contract details

Thinking about your fixed term contract, are you aware of...

	Unsure	No	Yes
	%	%	%
The date your contract is up for renewal	7	52	41
The termination fees and conditions if you break the contract	4	36	59
Are you usually approached by competitors to switch prior to your contract finishing?	3	50	47

Base: Respondents that are on a fixed term contract (n=290)

11.2.2 Industry attributes

Importance of network provider attributes

I'm going to read out a list of factors that some people feel are important when choosing a mobile voice and data provider, using a scale of 0 to 10 where 0 means not important at all and 10 means very important - please rate the following:

	0 - Not import. at all	1	2	3	Total not important (0-3)	4	5	6	7	8	9	10 - Very import.	Total important (7-10)	Unsure
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Reliability of coverage	-	-	-	-	-	-	1	5	5	21	14	53	93	1
Good customer service	2	-	-	1	3	1	3	2	12	20	16	43	91	-
Competitive pricing	1	-	-	-	1	-	4	5	11	24	18	34	87	3
Good invoicing and itemised billing	2	-	3	1	6	-	10	4	17	27	9	27	80	-
Ability to offer all telecommunications solutions in a single bundle	4	-	1	1	6	2	9	4	14	27	13	24	78	1
Reputation of provider	1	-	2	2	5	1	11	6	17	26	10	17	70	7
Is innovative and flexible	1	2	-	3	6	2	11	11	16	31	6	15	68	2
A good general understanding of business challenges	3	-	3	3	9	3	12	7	16	22	11	17	66	3
Commits to a personal understanding of my special business needs	2	-	3	2	7	4	12	7	19	19	8	20	66	4
Established company - been around for at least five years	3	-	3	3	9	2	15	7	14	25	8	18	65	2
Offer up-to-date or different solutions such as pooled data	4	2	6	3	15	1	12	9	17	18	5	14	54	9
Hardware or handset subsidies	10	2	3	3	18	3	10	9	11	25	3	14	53	7
International roaming services	12	2	6	4	24	5	19	7	11	9	5	16	41	4
Offer managed services for mobile phones such as tailored applications	8	2	8	4	22	1	18	11	13	13	5	8	39	9

Base: All respondents (n=400)

11.2.3 Network provider ratings

Best rated network provider

Out of Spark, Vodafone, 2Degrees or another provider, which network provider would you say is the best across these factors?

	Spark	Vodafone	2Degrees	Unsure	Other
	%	%	%	%	%
Has reliable coverage	48	25	2	22	3
Is an established company	47	29	4	17	3
Has a good reputation	37	28	5	26	4
Can offer all telecommunications solutions in a single bundle	35	24	3	35	3
Has good invoicing and itemised billing	33	29	7	28	3
Has good customer service	32	24	9	31	4
Has a good general understanding of business challenges	32	25	4	38	1
Has competitive pricing	26	23	15	34	2
Can offer managed services for mobile phones such as tailored applications	24	18	4	52	2
Is innovative and flexible	24	25	13	34	4
Can offer up-to-date or different solutions such as pooled data	23	16	8	49	4
Has good international roaming services	23	27	1	48	1
Has good hardware or handset subsidies	23	25	4	46	2
Is committed to a personal understanding of my special business needs	22	21	7	47	3

Base: All respondents (n=400)

Satisfaction with main network provider

Using a 0 to 10 scale where 0 means not satisfied at all and 10 means very satisfied how satisfied are you with.....

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	34	159	184	400
	%	%	%	%
10 - Very satisfied	29	11	12	13
9	19	9	16	14
8	20	37	29	32
7	25	24	20	21
Total satisfied (7-10)	93	81	77	80
6	1	3	9	6
5	5	6	8	6
4	1	2	2	3
3	-	3	1	1
2	-	2	2	2
1	-	-	-	-
0 - Not satisfied at all	-	3	1	2
Total not satisfied (0-3)	-	8	4	5
Unsure	-	-	-	-

Base: All respondents (n=400)

Would recommend main network provider

Using a 0 to 10 scale where 0 means not likely at all and 10 means very likely how likely is it that you would recommend.....to friends, family or colleagues?

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	34	159	184	400
	%	%	%	%
10 - Very likely	41	7	16	14
9	8	6	7	8
8	9	21	23	21
7	19	25	15	18
Total likely (7-10)	77	59	61	61
6	5	7	10	8
5	14	19	16	17
4	2	1	3	2
3	-	2	1	2
2	-	3	3	2
1	-	1	-	1
0 - Not likely at all	2	8	6	7
Total not likely (0-3)	2	14	10	12
Unsure	-	-	-	-

Base: All respondents (n=166)

11.2.4 Attitudes towards switching

Attitudes towards switching

Please tell me which of the following statements is most applicable to you?

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	34 %	159 %	184 %	400 %
We are not interested in switching our mobile voice and data provider	30	41	44	40
We would switch if we were offered a cheaper deal, but we are not actively looking	31	29	27	26
We would switch for better service, but we are not actively looking	37	7	23	19
We are actively looking for a new provider	-	6	-	4
We intend to look for a cheaper provider when our contract is up	2	17	5	10
Other	-	-	-	-
Unsure	-	-	1	1

Base: All respondents

Likelihood of switching mobile voice and data provider in next year

Using a 0 to 10 scale where 0 means not likely at all and 10 means very likely - how likely are you to switch your mobile voice and data provider in the next twelve months?

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	8 %	39 %	56 %	110 %
10 - Very likely	-	9	2	4
9	-	-	-	-
8	-	-	8	4
7	9	4	-	3
Total likely (7-10)	9	13	10	11
6	5	-	-	1
5	-	-	21	11
4	-	-	6	3
3	65	10	4	10
2	13	15	8	10
1	1	11	18	13
0 - Not likely at all	2	42	33	34
Total not likely (0-3)	81	78	63	67
Unsure	5	9	-	7

Base: Respondents that are not on a fixed term contract or are unsure whether they are on one

Likelihood of switching mobile voice and data provider when contract ends

Using a 0 to 10 scale where 0 means not likely at all, and 10 means very likely, how likely are you to switch your mobile voice and data provider when your current contract is up?

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	26	120	128	290
	%	%	%	%
10 - Very likely	8	2	5	4
9	-	-	2	1
8	-	1	6	3
7	2	8	5	7
Total likely (7-10)	10	11	18	15
6	3	-	4	2
5	-	18	7	12
4	-	7	4	5
3	4	8	5	6
2	37	17	13	17
1	15	-	4	3
0 - Not likely at all	27	27	44	33
Total not likely (0-3)	83	52	66	59
Unsure	4	12	1	7

Base: Respondents that are on a fixed term contract

11.2.5 Switching experiences

Changed network provider in past two years

Have you changed your mobile voice and data provider in the past two years?

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	<i>34</i>	<i>159</i>	<i>184</i>	<i>400</i>
	%	%	%	%
Yes	11	12	16	14
No	87	83	83	83
Unsure	2	5	1	3

Base: All respondents

Catalyst for changing providers

On the most recent occasion you changed your mobile voice and data provider did you change as a result of...

	All %
Approaching another company yourself to switch	71
Being approached by another company to switch	19
Unsure	8
Other	2

Base: Those that changed providers in the past two years (n=56)

Number of contacts with different network providers

*How many different mobile voice and data providers have **approached you** about switching in the past two years?*

*How many different mobile voice and data providers have **you approached** about switching in the past two years?*

	Approached you	You approached
	%	%
None	34	67
1	21	14
2	22	12
3 or more	15	5
Total approached	58	31
Unsure	8	2

Base: All respondents (n=400)

Use of external consultants

Do you use an external consultant to help you choose your mobile voice and data provider?

	2degrees	Vodafone	Spark	All
<i>Base: n=</i>	34	159	184	400
	%	%	%	%
Yes	1	13	6	9
No	99	86	91	89
Unsure	-	1	3	2

Base: All respondents

Reasons for switching

What were your reasons for switching mobile voice and data provider on the most recent occasion that you switched?

	All %
Poor coverage	28
High bill from your previous provider	18
Personal approach from a mobile provider with a better deal	16
Poor customer service from previous provider	11
Wanted one bill/one provider	7
Desire to bundle telecommunication services with the same supplier	5
Contract was up and went out to tender	4
Did a price review	3
Recommendation from someone	2
Other	18

Base: Those that changed providers in the past two years (n=56)

Ease of switching

On the most recent occasion you switched, using a 1-5 scale where 1 means very easy, and 5 very difficult, how did you find it to switch companies?

	All %
1 Very easy	47
2	22
Total easy (1+2)	69
3	12
4	5
5 Very difficult	14
Total difficult (4+5)	19
Unsure	-

Base: Those that changed providers in the past two years (n=56)

Reasons for not finding it easy to switch

What were the reasons why you did not find it easy to switch?

	All %
Long delay in switching over	52
The hassle of changing over automatic payment or direct debits	18
Problems setting up the new phones	12
Had to get new lines/equipment installed	6
Problems with invoices	4
Other	10
Unsure	6

Base: Those that switched providers in the past two years and did not find it easy to switch (n=17)

Reasons for not switching

What are your main reasons for not switching?

	All %
Happy with service from current provider	55
Happy with price of current provider	52
We're locked into a contract and would be difficult to break	9
Switching seemed too much hassle	8
Have good coverage with current provider	5
Too busy to investigate the best deals available	3
Too much paperwork to switch	3
Concern about break fees	2
Our mobile voice and data is bundled with other telecommunications and IT functions	1
Did not trust there would be real gains from switching - providers are much the same	1
Lack of information on best deals available	1
Not my decision alone	1
Other	5
Unsure	1

Base: Those that did not change providers in the past two years (n=344)

11.2.6 Industry comparisons

Industry competition

Using a 0-10 scale where 0 means not at all competitive and 10 means extremely competitive, how competitive are the following?

	0 - Not at all comp.	1	2	3	Total not competitive (0-3)	4	5	6	7	8	9	10 - Extrem ely comp.	Total competitive (7-10)	Unsure
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Power companies	4	-	2	5	11	3	13	10	14	19	5	9	47	16
Mobile voice and data providers	2	-	2	2	6	3	19	10	19	16	4	5	44	18
Fixed data providers (i.e. your internet connection)	3	-	3	2	8	2	19	13	13	13	4	5	35	23
Fixed line access and calling provider	5	-	1	5	11	5	24	8	10	12	3	5	30	22
Insurance providers	1	-	1	6	8	5	18	16	11	8	5	9	33	20
Banks	6	2	4	4	16	7	22	11	5	14	5	6	30	14

Base: All respondents (n=400)

Ease of switching industries

Using a 0-10 scale where 0 means not easy at all and 10 means extremely easy, how easy is it to switch suppliers for the following services?

	0 - Not easy at all	1	2	3	Total not easy (0-3)	4	5	6	7	8	9	10 - Extrem ely easy.	Total easy (7-10)	Unsure
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Power company	2	1	3	3	9	2	9	9	12	19	12	18	61	10
Mobile voice and data provider	5	-	2	1	8	7	8	14	12	19	5	13	49	14
Fixed data provider (i.e. your internet connection)	4	-	4	5	13	7	12	8	13	17	6	12	48	12
Fixed line access and calling provider	4	-	3	4	11	9	14	9	11	16	5	12	44	13
Insurance provider	1	3	3	4	11	5	13	8	14	14	6	16	50	13
Bank	3	4	10	6	23	8	13	6	8	14	3	9	34	16

Base: All respondents (n=400)

Recently switched industries

In the last two years has your company switched:

	Unsure	No	Yes
	%	%	%
Power company	2	72	26
Fixed data provider (i.e. your internet connection)	-	84	16
Fixed line access and calling provider	1	86	13
Insurance provider	1	84	15
Banks	2	93	5

Base: All respondents (n=400)

Glossary

This report makes reference to summarised variables to be more concise. The following shows how these variables have been summarised:

Locations (of headquarters):

- North Island regions - all locations in the North Island other than Auckland and Wellington.
- South Island regions - all locations in the South Island other than Christchurch.

Industries:

Nineteen specific industries categorised by Statistics NZ were merged into five categories for reporting purposes:

- Primary industries - agriculture, forestry and fishing, and mining.
- Secondary industries - manufacturing, electricity, gas, water and waste services, and construction.
- Trade industries - wholesale trade, retail trade, accommodation and food services, and transport, postal and warehousing.
- Professional services - information media and telecommunications, financial and insurance services, rental, hiring and real estate services, professional, scientific and technical services, administrative and support services.
- Social/ other services - public administration and safety, education and training, health care and social assistance, arts and recreation services and other services.