

MANY PEOPLE NEVER SWITCH TELECOMS PROVIDER

WHAT IS DIFFERENT ABOUT SWITCHERS?

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Many people never switch telecoms provider; what is different about switchers?¹

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INTRODUCTION

Many consumers have never switched telecoms company, despite the efforts of regulators to encourage shopping around and to make switching easier. A significant number of consumers need to be willing to compare offers and to consider switching to better ones if the benefits of competition are going to be spread more widely. In particular, if there are identifiable groups of consumers who are unlikely to consider switching, they may end up with worse deals than other consumers.

This research investigated which consumers are more inclined to switch providers of broadband, mobile phone and landline services. It looked not only at individual characteristics like age, family structure and income, but also at characteristics of the service and how it is used, such as whether it is ‘bundled’ or whether people in the household use smart phones to browse the internet. The study also recorded how much money people think they might save by switching and whether people had experienced ‘bill-shock’ (an unexpectedly high bill).

DATA AND METHODS

We analysed data from a 2015 RedC survey commissioned by ComReg, Ireland’s telecoms regulator. The survey involved a representative sample of 1,039 consumers in Ireland. Our main focus was on the intention to switch provider of broadband, mobile or landline services: how likely people said it was that they would switch over the next year. We used statistical regression models to identify and measure the effects of different background characteristics, types of service, use of service, and perceptions of bills and possible savings.

¹ This Bulletin summarises the findings from Lunn, P.D. and S. Lyons, 2018, Consumer switching intentions for telecoms services: evidence from Ireland, *Heliyon* 4(5), Article e00618. DOI: 10.1016/j.heliyon.2018.e00618.

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RESULTS

People who have been with a company a long time and who have never switched before are exceptionally resistant to switching. This group is large: about 44% of broadband subscribers and 57% of mobile telephone users. For many, a dramatic signal seems to be needed to make switching a live option, such as the shock of receiving an unexpectedly high bill or believing that particularly large savings might be available (especially more than 20%). Even such exceptional events mainly affect people who are already somewhat open to switching.

The growing practice of bundling telecoms services does not seem to have had much effect on people's desire to switch in Ireland, either positively or negatively. However, there is evidence that bundling leads some consumers to keep purchasing a declining service, such as a landline, longer than they otherwise might.

Surprisingly, personal characteristics are generally quite a weak predictor of the intention to switch. Respondents working in home duties report much lower willingness to switch all three services compared to those in full time employment, but other demographic and socio-economic characteristics have weaker and less consistent relationships with wanting to switch. How a service is used can be influential. For instance, regardless of age, wanting to switch mobile provider is more likely among those who use text messages.

POLICY IMPLICATIONS

The results imply that Ireland has a core of 'inert' non-switchers who are likely to stay that way for a long time unless policy or something in the market changes. Contrary to the view that there is a special uniquely vulnerable group of users that is unwilling to search and switch service providers, we find that unwillingness to switch is not confined to particular social groups. The persistence of consumer inertia is a potential concern, because these consumers may be left on relatively expensive tariffs or with lower quality service than consumers who are willing to switch.

Another implication of our work is that a broader approach is required when studying switching behaviour. There are competing psychological explanations for this strong unwillingness to switch, including loyalty and worrying about making a mistake. Future research is needed to discover whether individuals feel different levels of competence in actively choosing telecoms services, perhaps due to their familiarity with the technology or use of services. Another fruitful approach would be to compare switching preferences directly with later switching behaviour, to see how intentions translate into actions.

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