Exploring Consumer Decisions In The Broadband Industry

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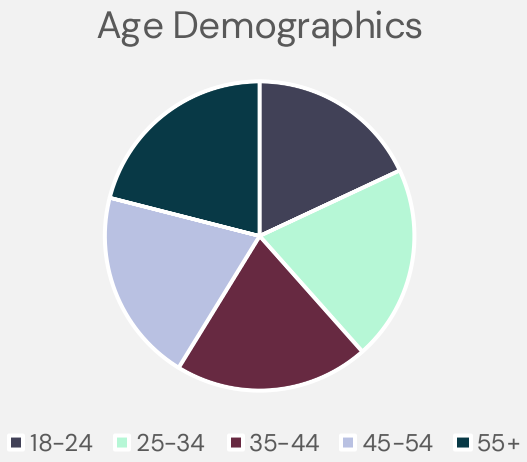
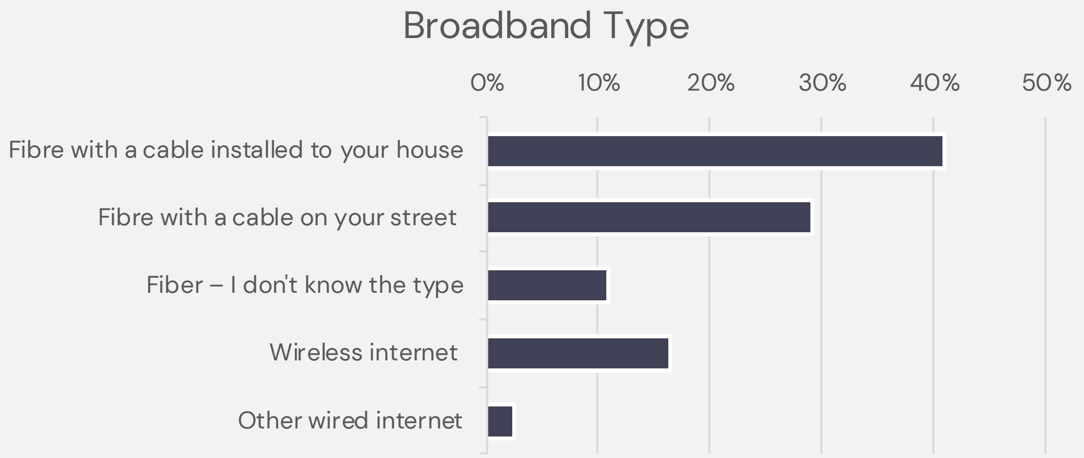
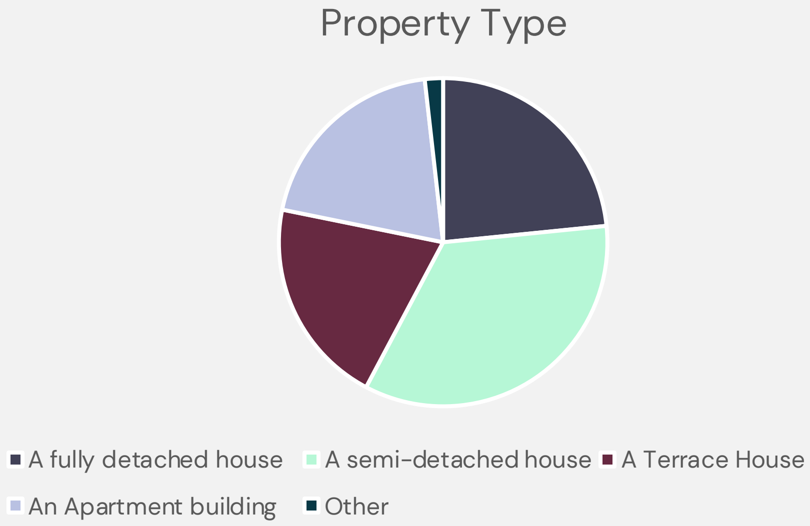
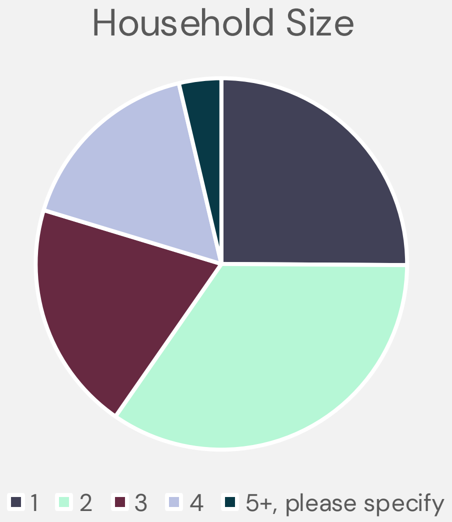
Introduction

The majority of UK consumers receive the speed they buy







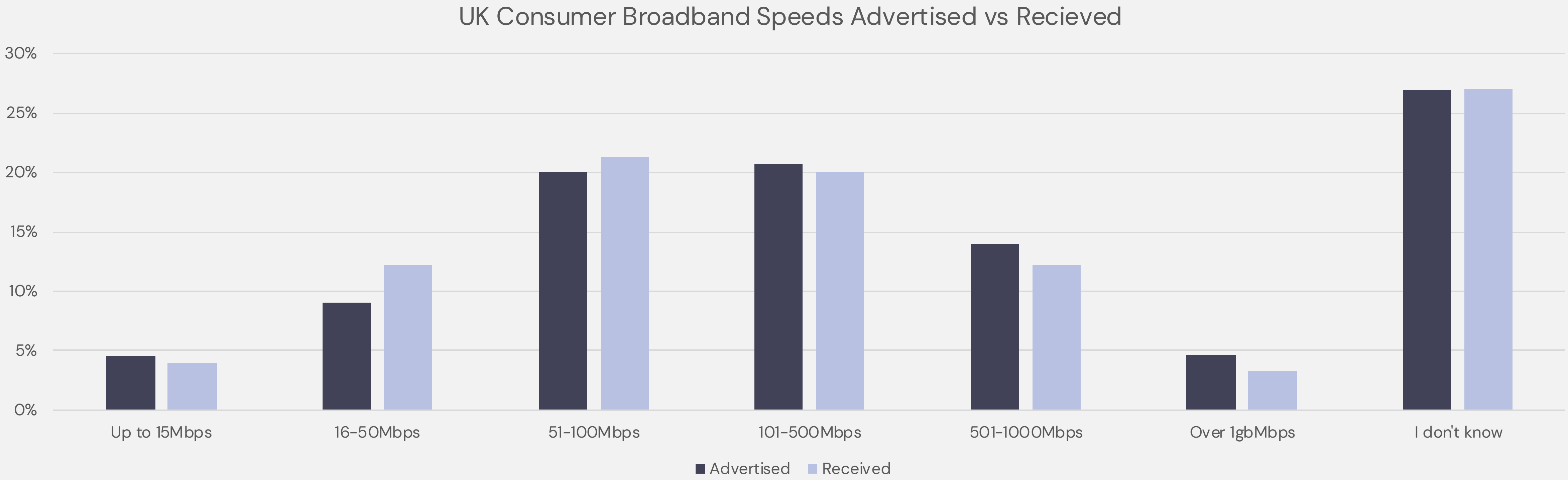


Overall broadband quality is high with consumers being mostly satisfied with the service

- In general, consumers are receiving a good service. All of the indications in this report, from receiving the service advertised, to satisfactions levels, they all indicate that a large majority of respondents are satisfied with their current provider.
- There are some areas of friction, like price, customer service and reliability, but these are not something most consumers are complaining about.
- Most consumers are purchasing their broadband from a large, well-known national brand, which has a good customer service reputation. There is a definite preference for national providers, especially among younger respondents who say that brand is important to them.
- Bundles of services are quite impactful (especially TV and additional free hardware), though only 44.5% of respondents buy in a bundle; for those that do, 68% would say that it had an impact on their decision to buy from that provider.
- Most respondents are engaged with their broadband contract and know when it is up for renewal. Most respondents will renew their contract when there is an issue or a change in the contract, and many will also renew immediately when the contract ends.
- Most respondents do not find changing internet providers easy, so a key element of winning customers over is providing a smooth transition between their current provider and the new one.
- The majority of respondents only predict a small increase in their broadband usage over the next 3 years, and also expect their internet will be able to handle the increase.
- This presents a view of a healthy market. However, that does not mean there is not opportunity. There is always room for a competitively priced entrant into the market, so as long as they can establish a trusted brand, and provide a high quality of service.

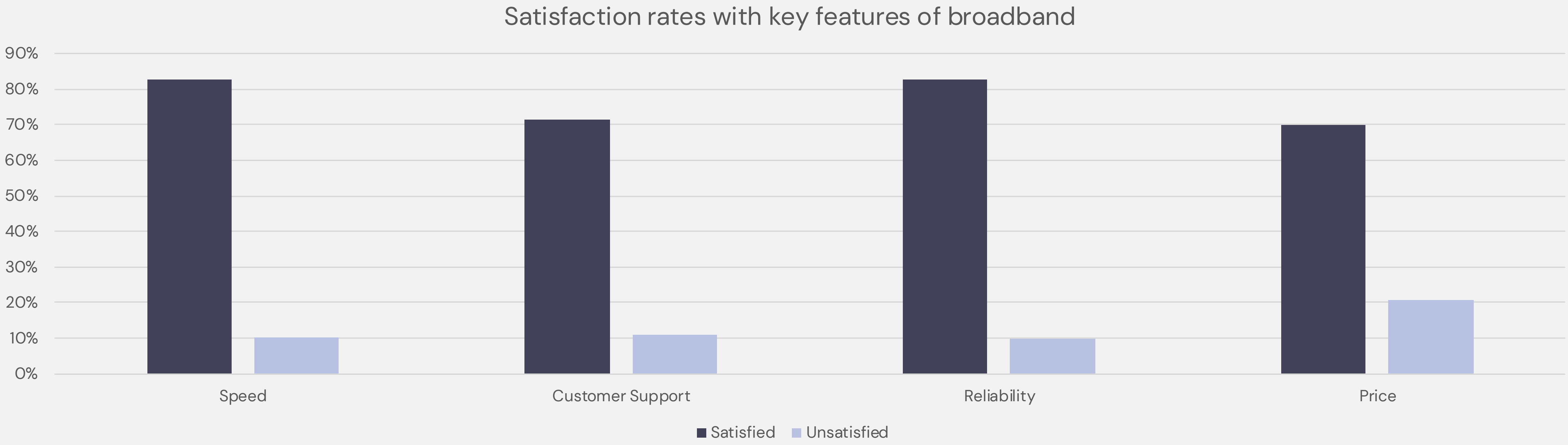
Report

The majority of UK consumers receive the speed they buy



- In general, consumers are receiving the speed they buy. This indicates that the market is quite aware of its limitations, with people advertising speeds they can consistently deliver.
- There are some areas where performance is slightly worse. High speed products have a clear fall off of 3-4%, with 18.73% of consumers buying a service with 500+Mbps advertised and only 15.44% receiving that service. This issue is slightly more pronounced in rural areas where 4% of people who buy a 500+Mbps advertised did not receive it, compared to only 2.5% saying the same in the city.
- Generational differences exist in awareness of speed purchased/received ; awareness is very high >80% amongst everyone under 34 but begins to drop above this range reaching only 56.5% amongst people over 55.

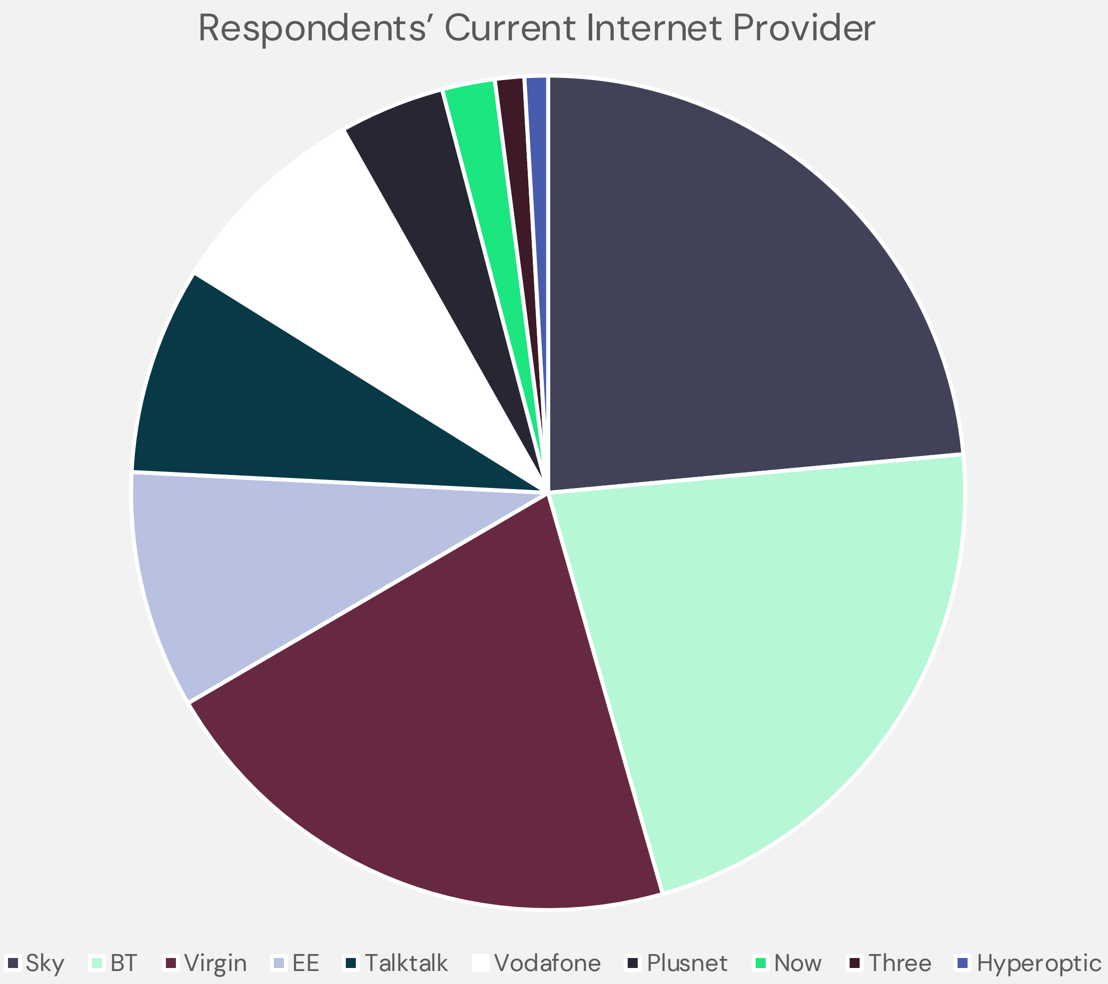
The majority of UK consumers are satisfied with the service they receive



- Unsurprisingly given the previous slide, the majority of respondents are satisfied with the service. The area of least satisfaction is price, which is fairly common in consumer environments where people would always like a cheaper service, but again how satisfied respondents are indicates many view the service as fairly costed.

- There are some areas where satisfaction rates fall. Notably if you do not know the type of fibre connection you have, you are much less likely to be as satisfied with the service. For example, looking at satisfaction with speed, whereas 50% of those who have a cable directly to their house would say they were 'Very Satisfied' with the speed, this drops to 26% for those that do not know the type of fibre. This group is still overall satisfied but 59% say they are only 'Somewhat Satisfied' which is a change compared to those more aware of the service they are receiving. This indicates that fibre delivery awareness could be an important place to focus when looking at customer satisfaction. Though only 16% of those receiving a fibre service do not know the type, so this is not a critical issue.

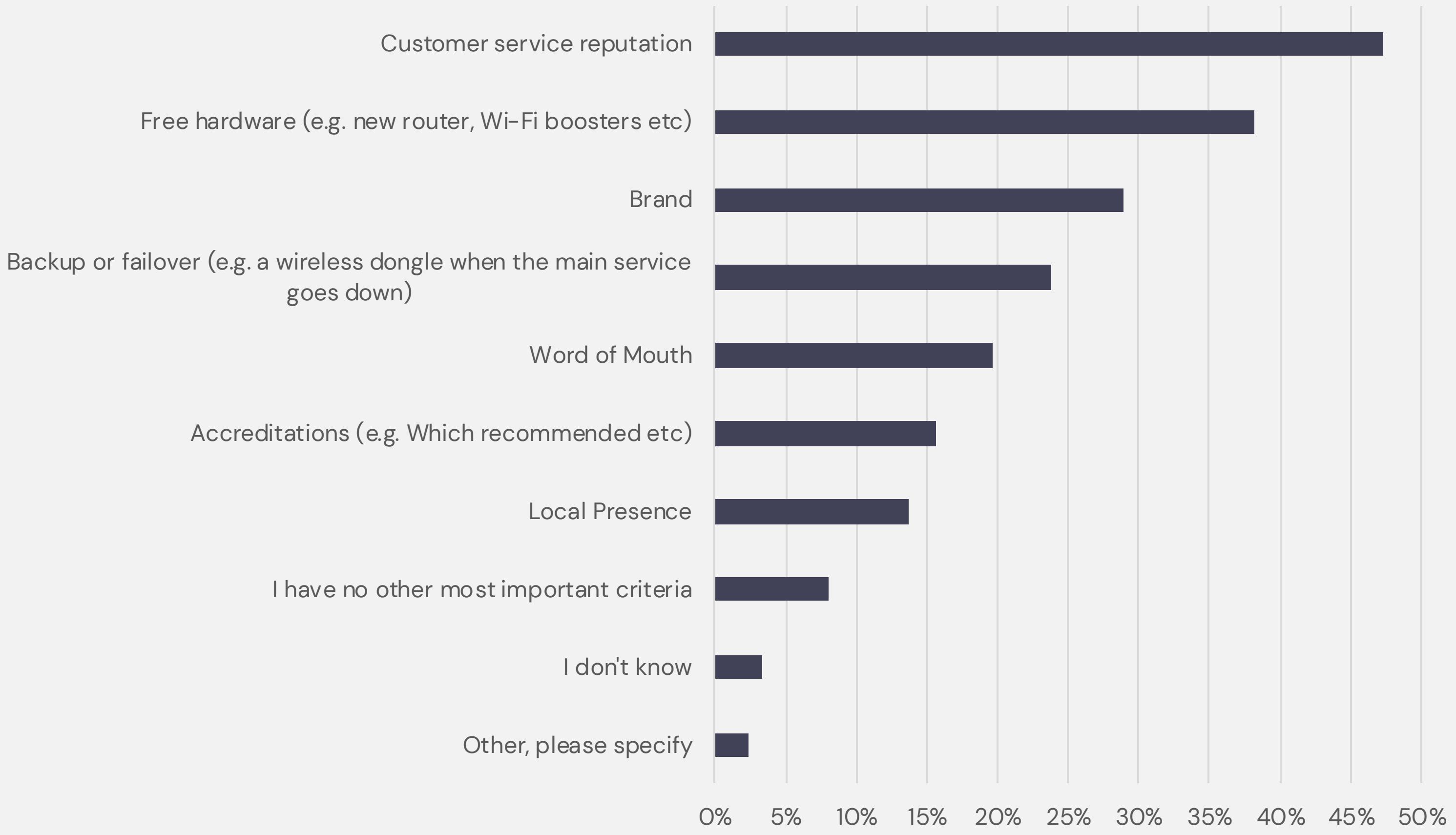
Sky, BT and Virgin are the lead providers in the sample



- This question directly asked respondents to name their current broadband provider. It garnered a full range of responses, with the ones in the chart being the most popular.
- However, there were also other responses for much smaller providers like Be Fibre, Wight Fibre, Onestream, Gigaclear, SEE, and more.
- This data shows that the large national providers lead in the space, with the majority of respondents turning to one of these companies for their service.
- This data highlights that competitive brands are in direct competition with the large national brands in most areas.

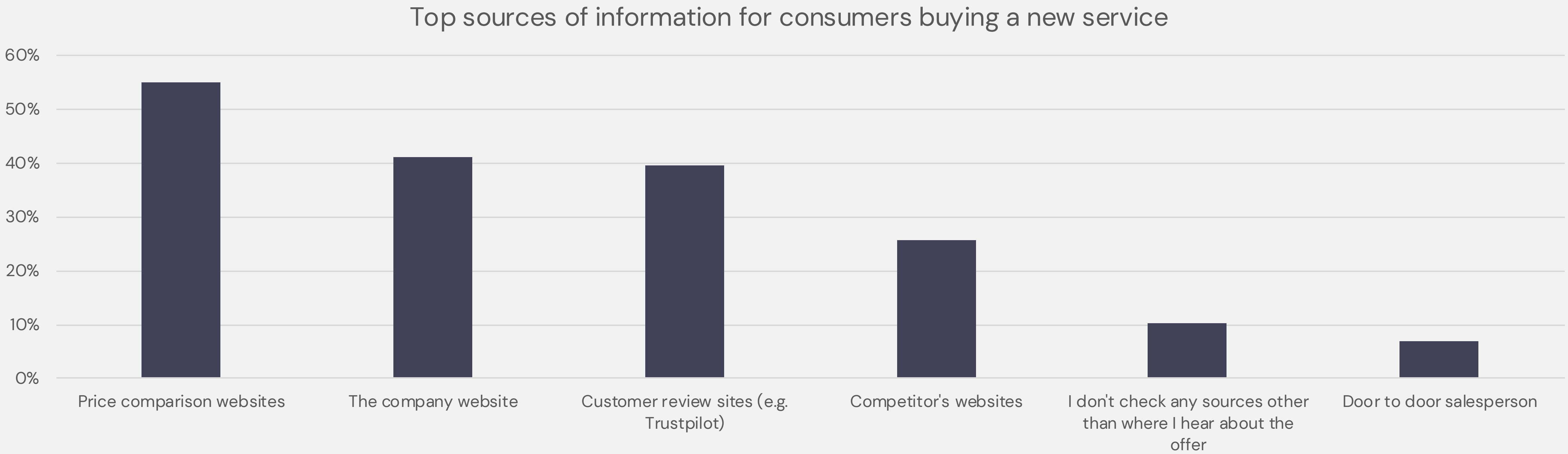
Customer service reputation and free hardware bundles are the most important criteria beyond cost and speed

Most important criteria for selecting a new provider beyond cost and speed



- Customer service is the main differentiator, followed by Hardware bundles.
- Brand is also important to certain demographics, like 18-24. In this age bracket, brand is 3% higher than the leading options for other ages, showing that younger generations care more about brand than others. Though they also still care about customer service reputation and hardware.
- Another trend, is that people living in small towns are more likely to focus on hardware deals alongside customer service. This is likely due to average house size in small towns being larger, leading to more need for Wi-Fi boosting.
- This question emphasises that companies should focus on customer service as a top priority, while also making sure that customers feel they are getting good deals on the appropriate hardware.

Price comparison websites are the top source for new service buyers

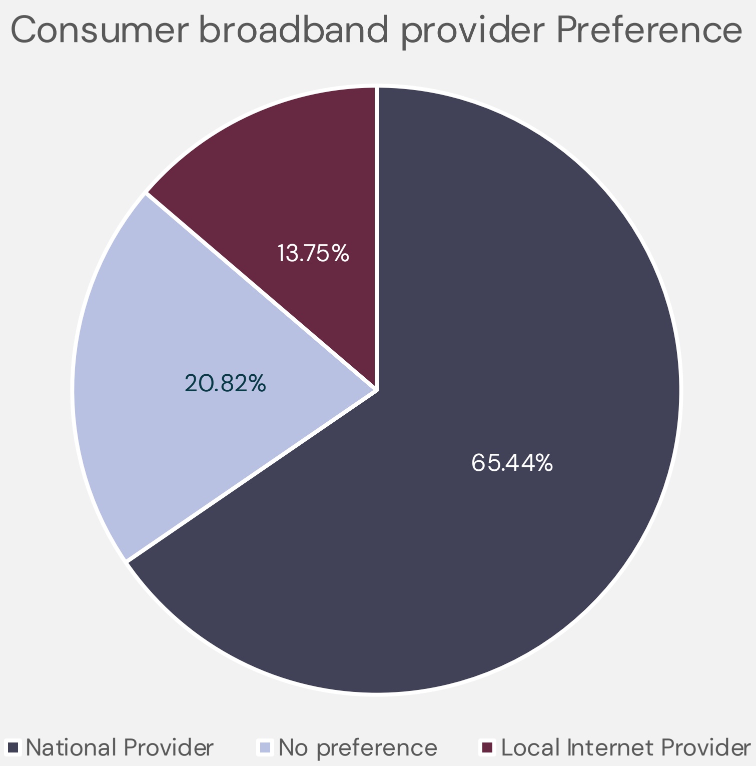


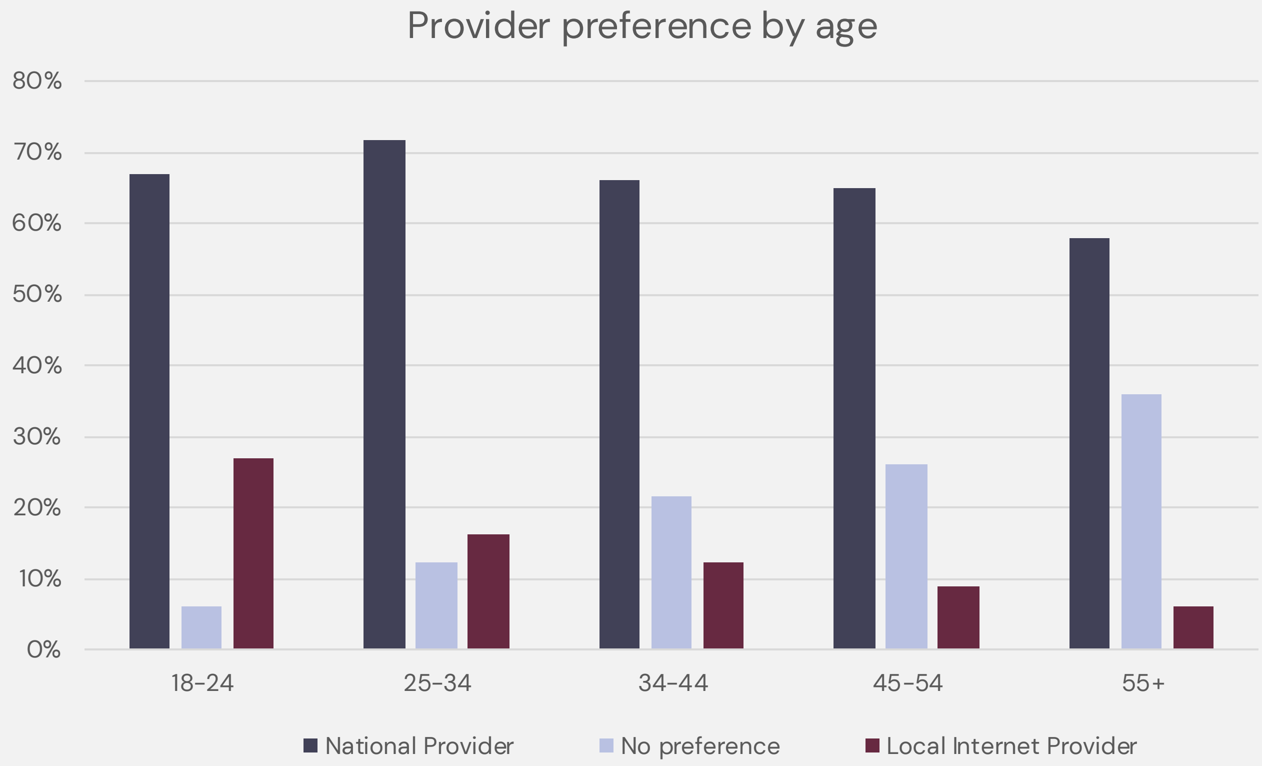
- The clear winner across all demographics are price comparison websites. These tools have become a vital component in searching for broadband services and are also heavily advertised and marketed. Many searches for broadband on search engines push price comparison websites as the first or sponsored posts, sometimes even above the provider websites.

- Company websites are also a vital source of information. Many customers are doing their own research prior to purchasing a solution, and the company's website is seen as one of the premier sources of information on services and pricing.

- This research highlights that as a broadband provider you must make sure you have good data available on price comparison websites, and that your own website has good information available for new customers. Also, where possible, customers should be encouraged to leave good reviews on customer review sites.

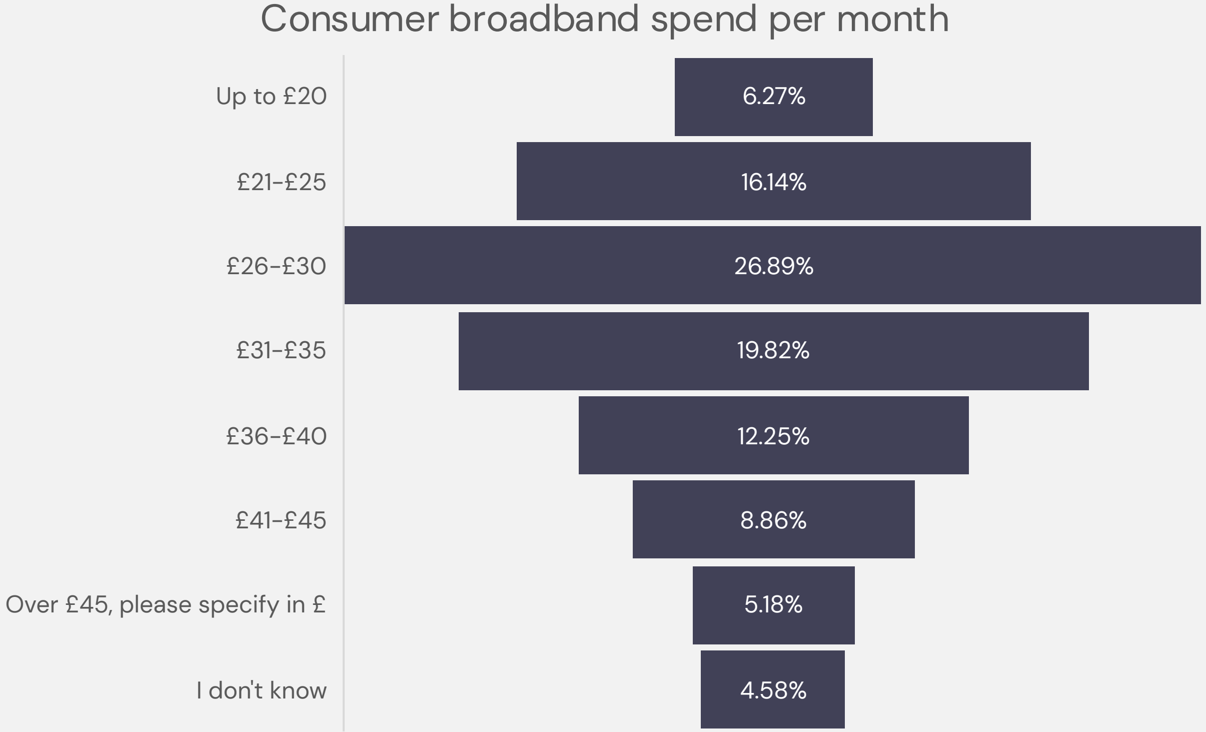
Consumers overwhelmingly prefer national brands

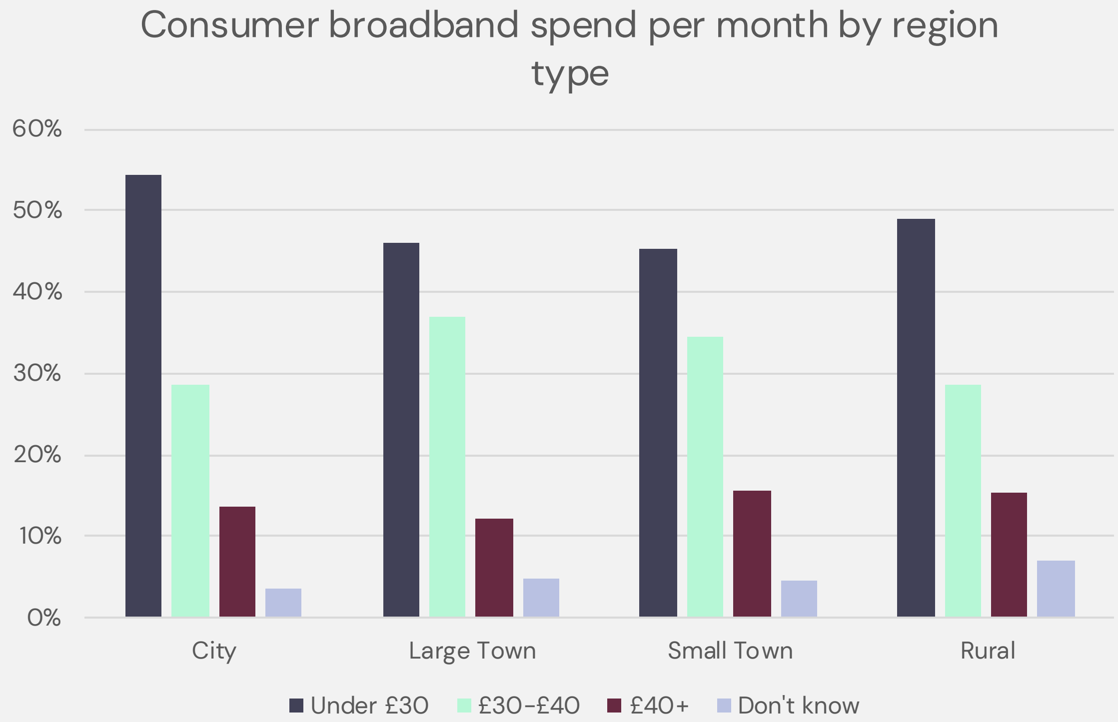




- This data is interesting because while Q3 (slide 9) indicates that 91% of the respondents to this survey purchase from a national brand, their preference is not locked onto those brands. So approximately 25% of people currently purchasing from a national provider either have no preference or would rather buy from a local internet provider.
- Younger respondents especially are keener to purchase locally, and older respondents are less likely to have a preference. Combined with the data from Q4 (slide 10), the survey suggests that younger respondents care more about brands and want that brand to be a local one, but further research might be needed to confirm this.

Most consumers spend between £20 and £40 per month on broadband





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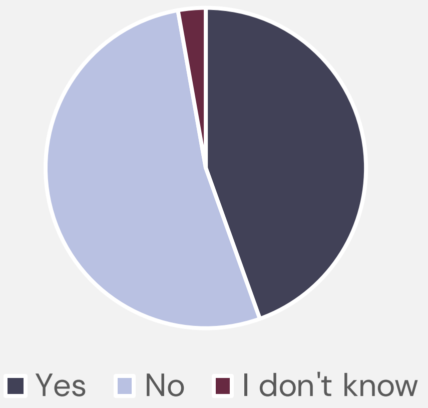
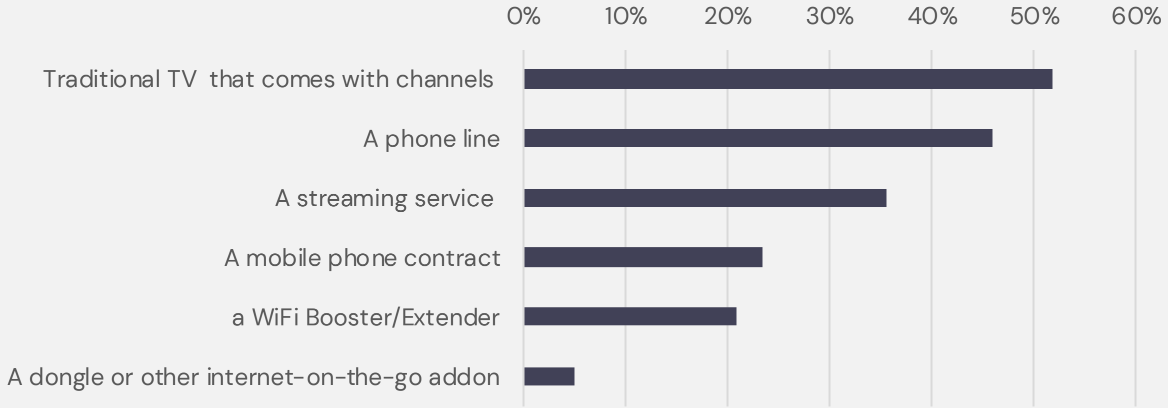
Just under half of the consumer market buys bundled broadband

- Many consumers are turning to bundles as part of their broadband purchases. These are especially popular with people living in semi or fully-detached houses, but less popular with people living in apartment buildings. Otherwise, the result is pretty flat with bundles being popular across most other demographics.
- However, what bundles people were most interested in did change widely across age ranges
  - TV is generally popular except amongst the youngest group of respondents (18–24-year-olds) where only 31% compared to the overall of 52% said that they bought TV.
  - Streaming services are roughly 10% less popular than the overall amongst people aged 55+, but generally popular with other groups.
  - Mobile Phone Contracts and WiFi boosters are more appealing to the younger audience (18–34-year-olds) but begin to fall off in popularity with age.
  - Dongles and Internet on the go add-ons, are only popular with the 24-34-year-old group. 15% of this group say they purchase this service compared to 5% overall. One explanation is that this is the demographic that is most likely to be mobile for work and will need on-the-go services.

How many consumers buy services bundled with their broadband?

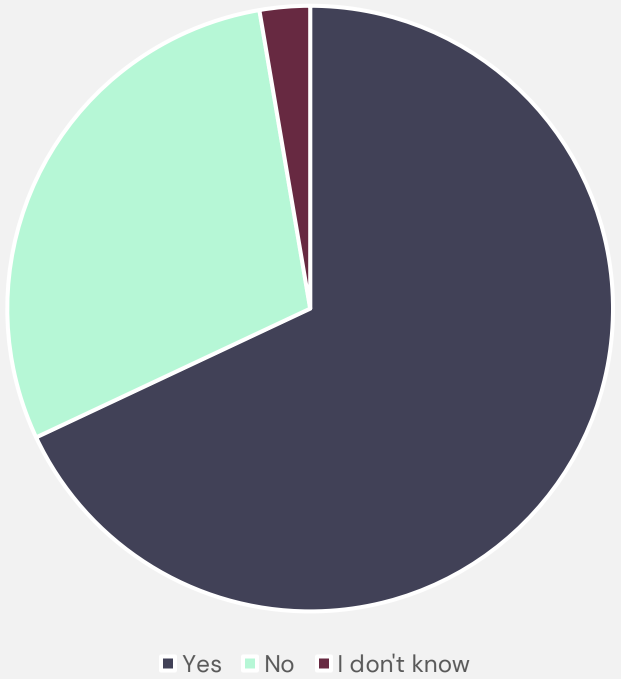


What services are you buying bundled with your broadband?



68% of consumers are influenced on provider choice by bundle availability

Does the availability of bundles affect your decision to buy from a specific provider?

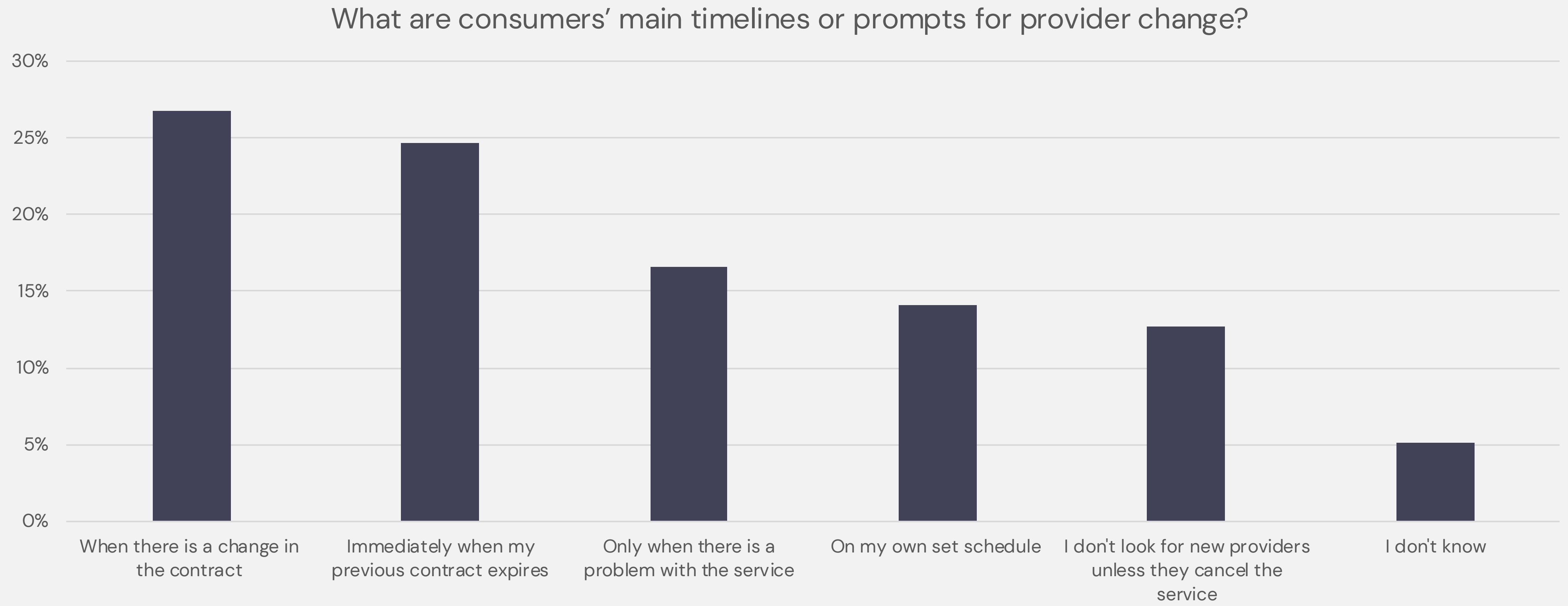


- Overall most consumers are influenced by bundle availability. Bundles are more popular with younger respondents, with 73% of 18–24-year-olds saying their availability influenced them. Conversely, 55+ year-olds, were less likely to be swayed by bundles, with only 57% of respondents giving this answer
- Bundles are also more popular in urban and town environments, and less popular in rural environments. However, this may be a reflection of the availability of bundles in some rural locations, as they may not be as available as they are in the city.

Brand has a high impact on price with unknown brands having to offer discounts to compete

- This question was asked to test the hypothesis that since known brands are preferred, but price is the most important factor, how much did an unknown have to reduce its prices to win customers? The results reinforce this hypothesis, with 64% of respondents saying they would need some reduction to choose an unknown brand.
- 15.5% of respondents said they would not consider an unknown company even if it was cheaper, this is especially true of older respondents with 29% of 55+ year-olds giving this answer. All of the responses to this question show the value of moving from an unknown to a known brand, and of using price as a lever to make that transition.

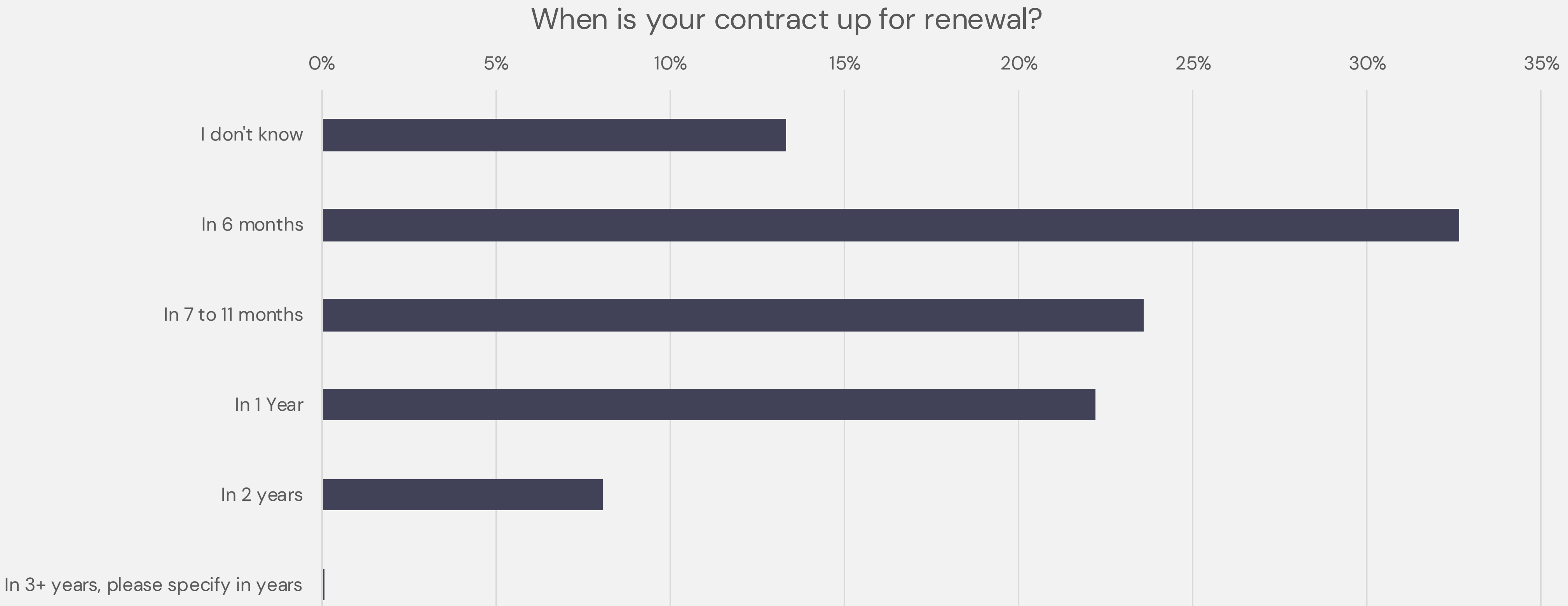
27% of respondents only change their provider when there is a change in the contract



- The goal of this question was to ascertain whether consumers are actively searching for new contracts on a set schedule, or only changing when there is an incident or reason to change. The results seem fairly conclusive, while 25% of respondents will get a new contract immediately as their previous one ends, 43% of respondents only switch when there is a change in the contact or a problem with the service.

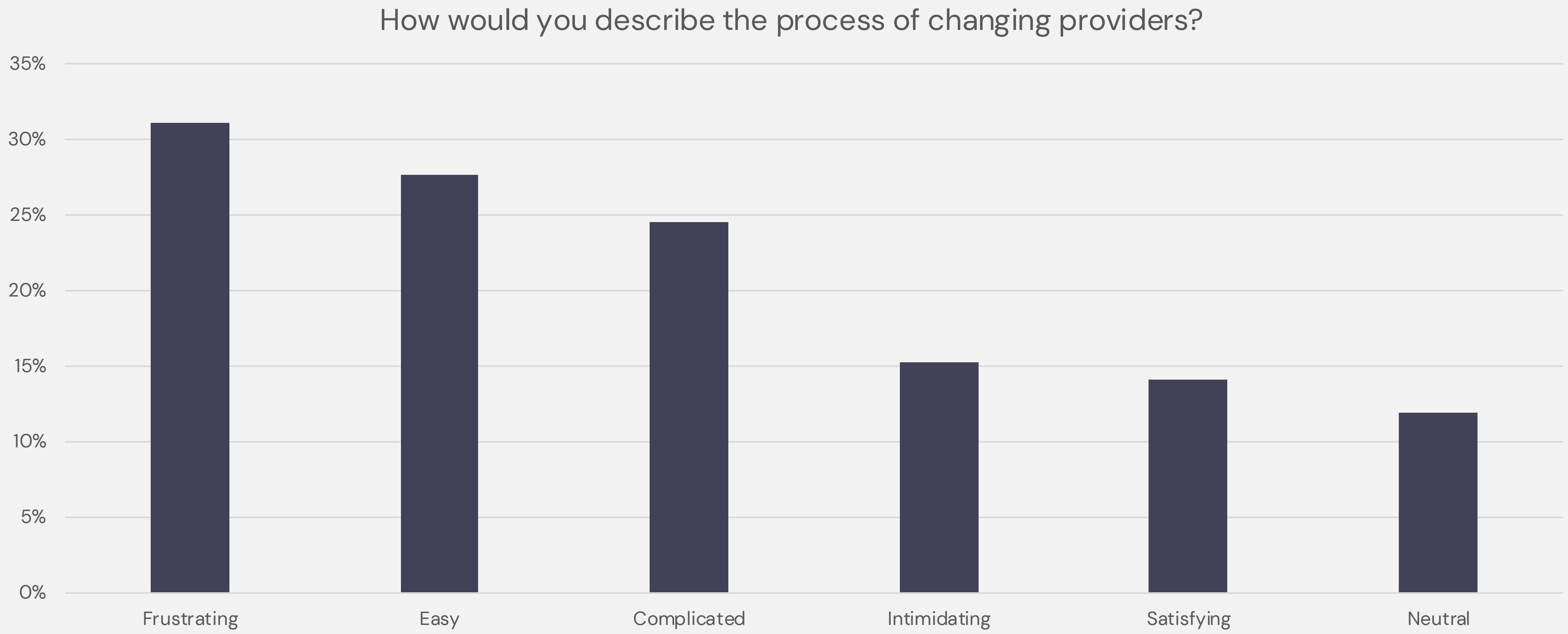
- The conclusion drawn from this slide, is that consumers need motivation for change, or need to be captured at the exact moment of contract renewal in order to be successful. This ties into the results from Q5 (slide 11) about the popularity of price comparison websites, as that is likely where many of this 25% go to find the new best contract.

The majority of consumers have their contract coming up for renewal in the next year



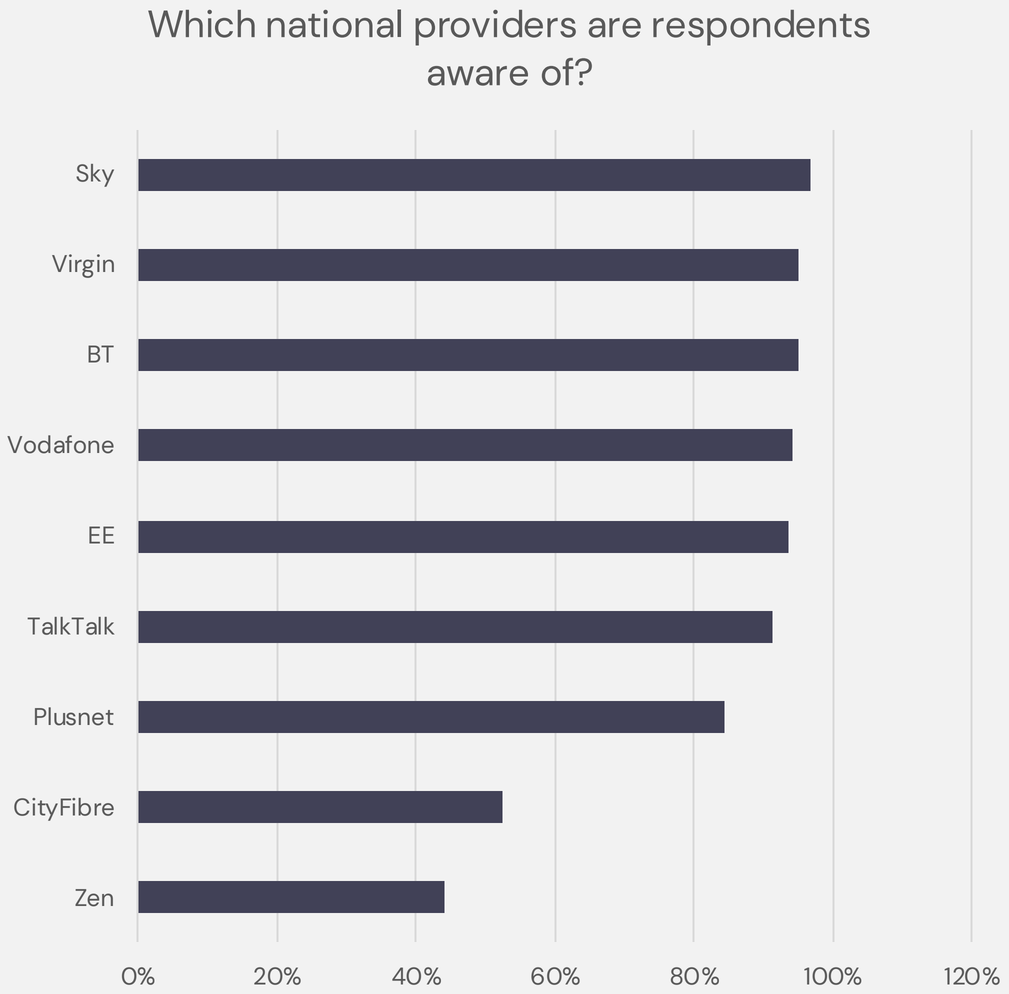
- Tied to the previous question was a need to understand whether consumers understood how long was left on their contract. After all, if they did not know when it expired, then how could they know whether to change/upgrade it or not?
- Overwhelmingly consumers do know when their contract is up for renewal and the majority are on contracts that renew in the next year.
- Older respondents and those living in rural environments were around 10% less likely to know when their contract was up but in general most were aware.

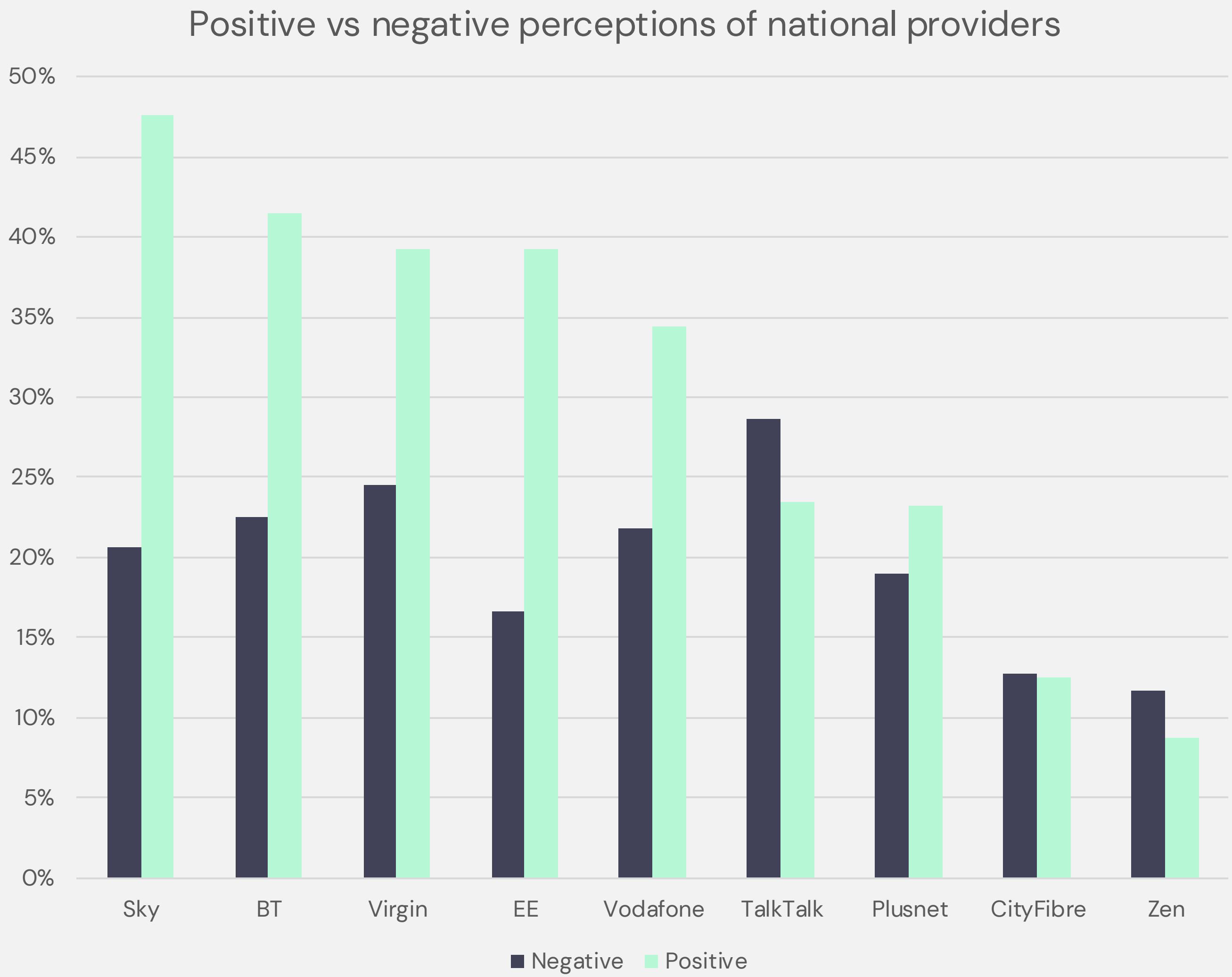
The majority of consumers find the process of changing internet providers to be frustrating, complicated or intimidating



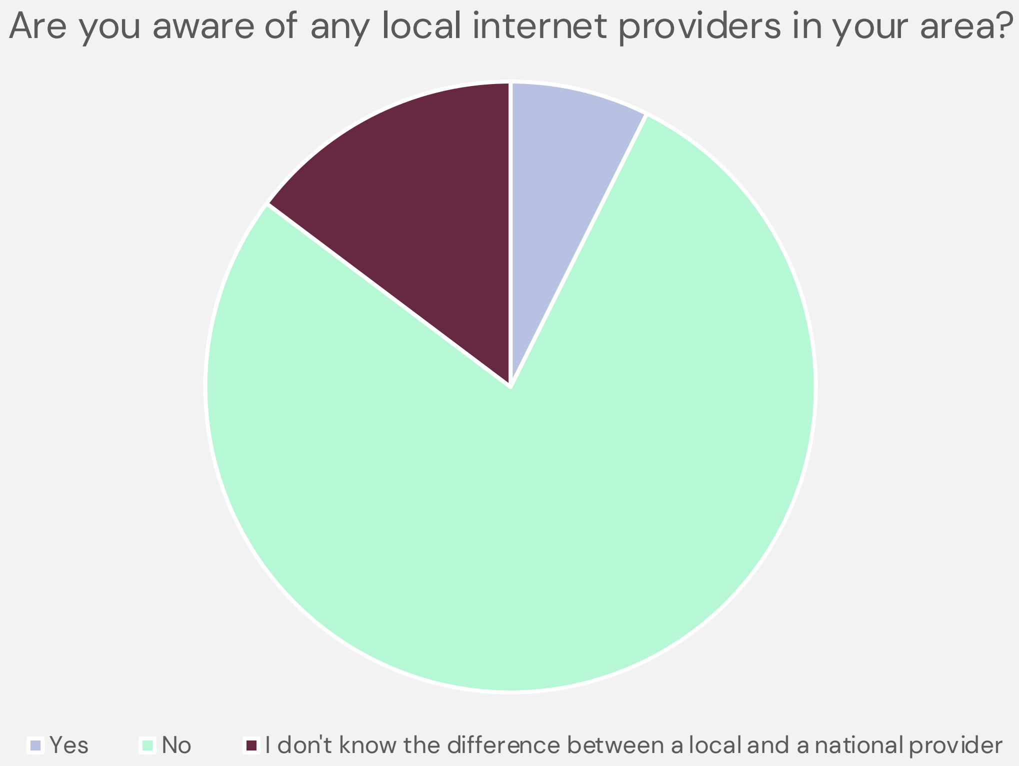
- The results of this question demonstrate that the industry still has work to do to make the process of switching easier. While 28% of respondents did say they found switching easy, many others said that it was complicated and frustrating.
- The age bracket most likely to find it complicated was the 18–24-year-olds, 33% of whom gave this response, whereas 25-34 years olds were most likely to find it a satisfying process with 23% giving this answer. Younger demographics are also more likely to be intimidated by the process, indicating a need for education of younger buyers in the market.

Sky has the largest % of positive sentiment amongst national providers



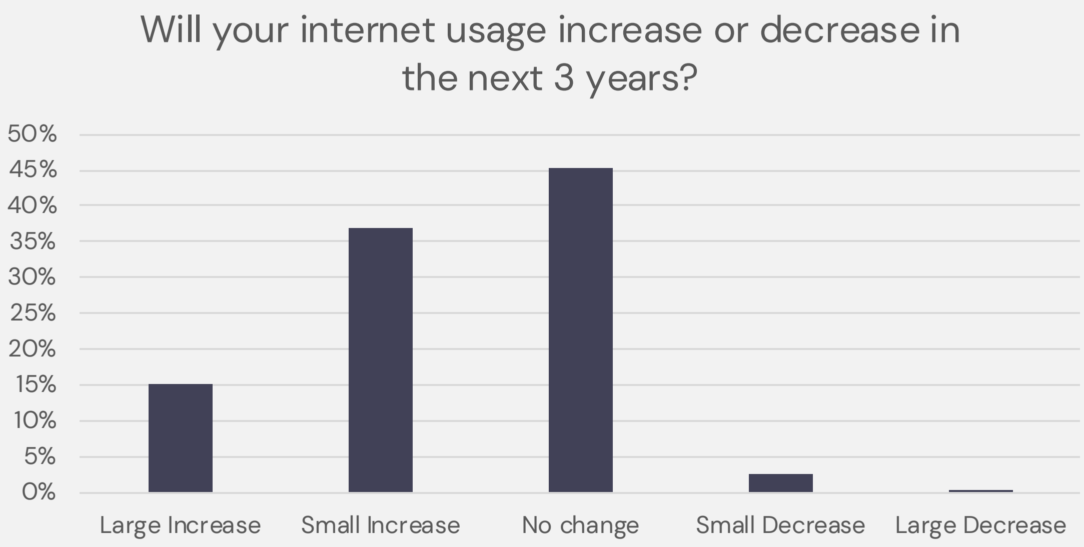


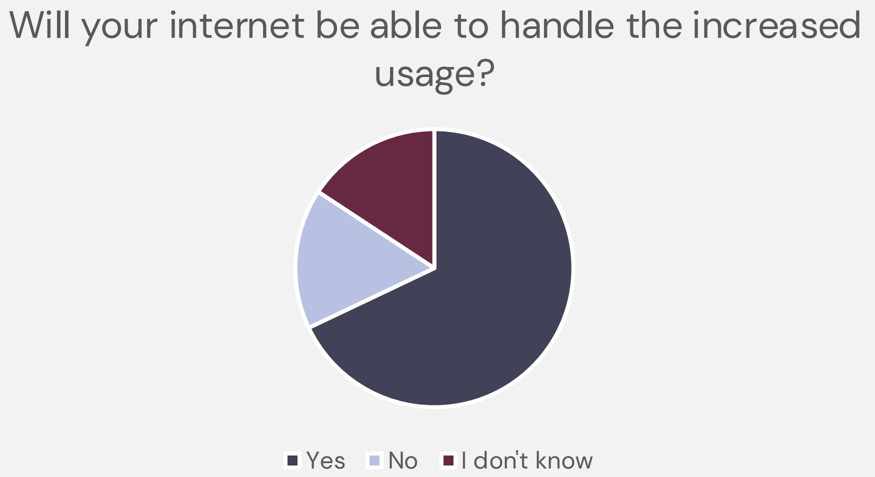
The majority of consumers are not aware of any local providers, some do not understand the difference



- The majority of people are aware of a local provider in their area. There is not a huge shift in this across demographics, however, rural and small-town residents are roughly 5% more likely to be aware of a local provider. This is likely explained due to lots of regional providers catering specifically for the needs of a set rural area.

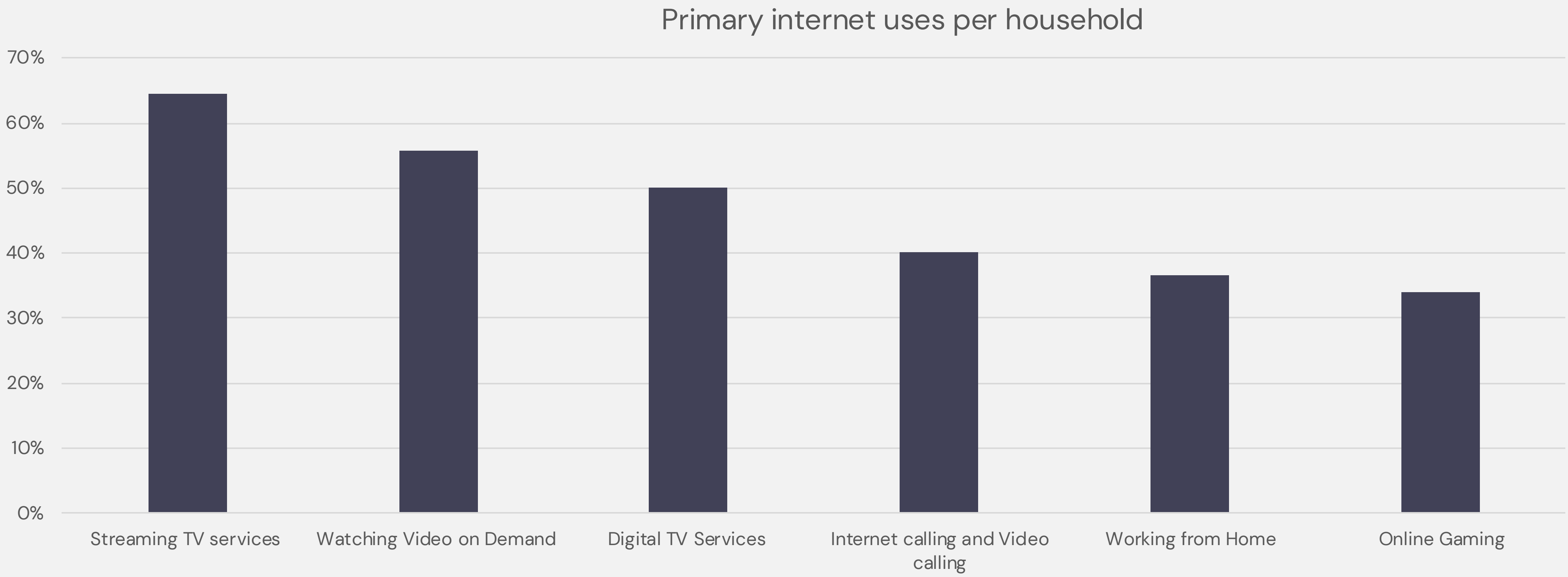
Most consumers expect a small increase or no change in internet usage in the next 3 years





- Only 52% of respondents predict an increase in their internet usage over the next 3 years.
- These numbers are influenced by age, with older respondents (55+) being half as likely to predict an increase compared to their younger counterparts (18-24), however, even the younger respondents did not predict a massively large increase.
- This matches various trends in the market, where consumers are generally comfortable with their current internet usage. The majority are not power users as seen in Q18 (slide 23) and are using their internet for streaming video and watching VODs. Many standard available packages on the market can deliver quite high-quality video, as long as it is not 4k or taxing applications.
- A challenge for the internet provider marketplace is to understand what new use cases are being unlocked that will drive a further adoption of more powerful internet. Currently it does not seem that consumers are dissatisfied with their service (Q2 – Slide 8) and this is likely driven, in part, by the fact that the speed meets their needs.
- If those needs do not increase, then selling faster packages becomes a larger challenge for the industry. Especially reinforced by the fact that the majority of respondents also view that their internet will be able to handle the increased usage.

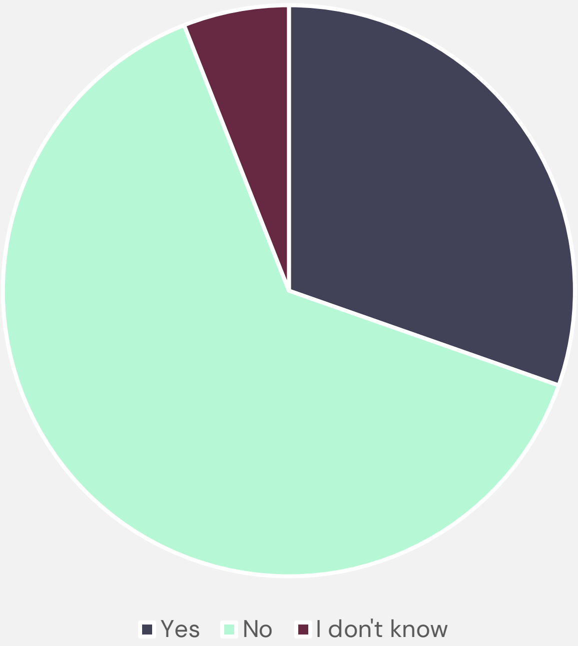
Streaming and VoD make up the primary uses of the internet



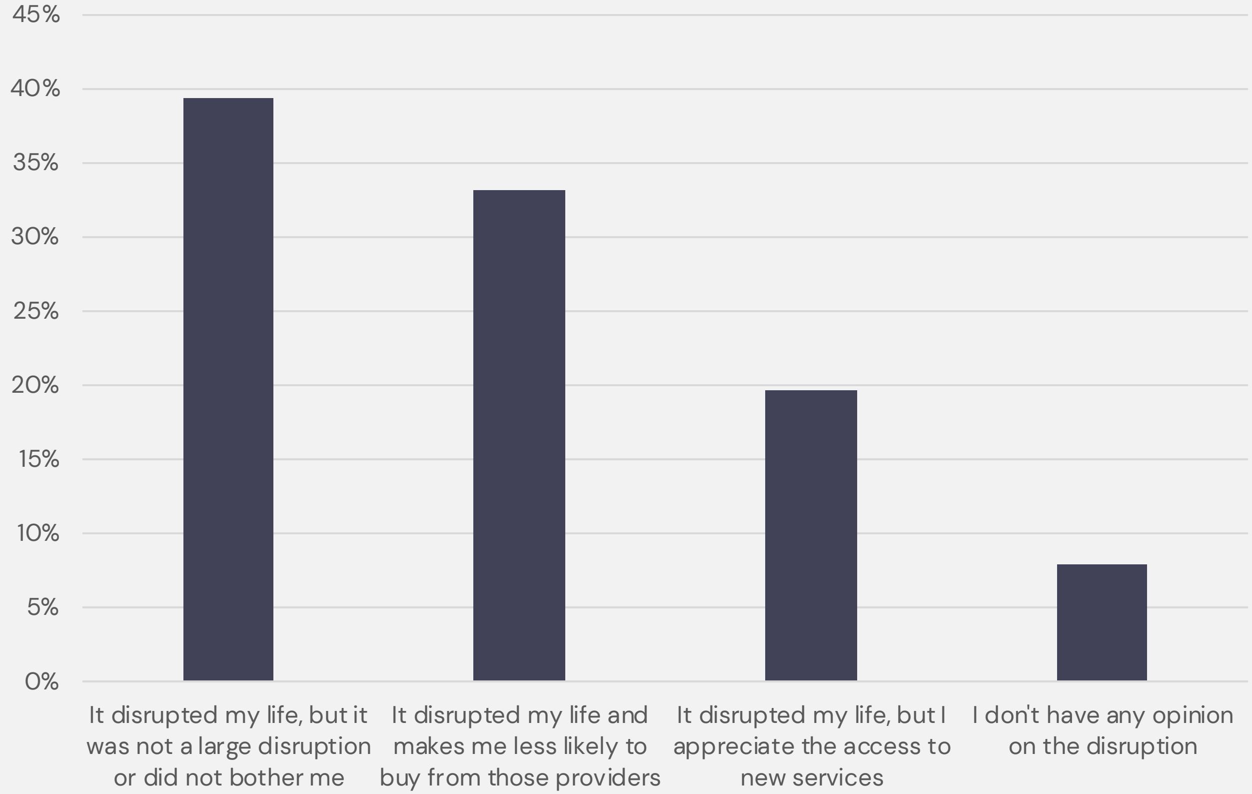
- Age is a big differentiator in answers to this question. Streaming services are popular with all demographics but drops down to 47% of respondents when looking at the 55+ bracket.
- Online gaming is more popular with respondents under 44, while working from home is most popular with those age 35-54.
- However, while those age difference results are interesting, it is worth noting that age demographics will be a little blurred in this question, as the question asked about usage for the entire household. So certain age groups that are more likely to have dependents living at home would give a broader answer.

The majority of consumers have not been disrupted by roadworks to improve the internet

Have you been disrupted by roadworks to improve the internet in the last 3 years?



Effects of disruption on buying behaviour



- Most respondents had not been disrupted by roadworks to improve the internet in the last three years.
- Of those that had been disrupted most saw it as a positive, or something that did not cause large disruption.
- However, of those disrupted, 33% did say that the disruption would make them less likely to buy from that provider. This is a good indication that disruption needs to be carefully planned and communicated to locals to ensure that it does not leave them with a negative impression of the companies causing the disruption.

About Cavell

Expertise that turns ideas into action

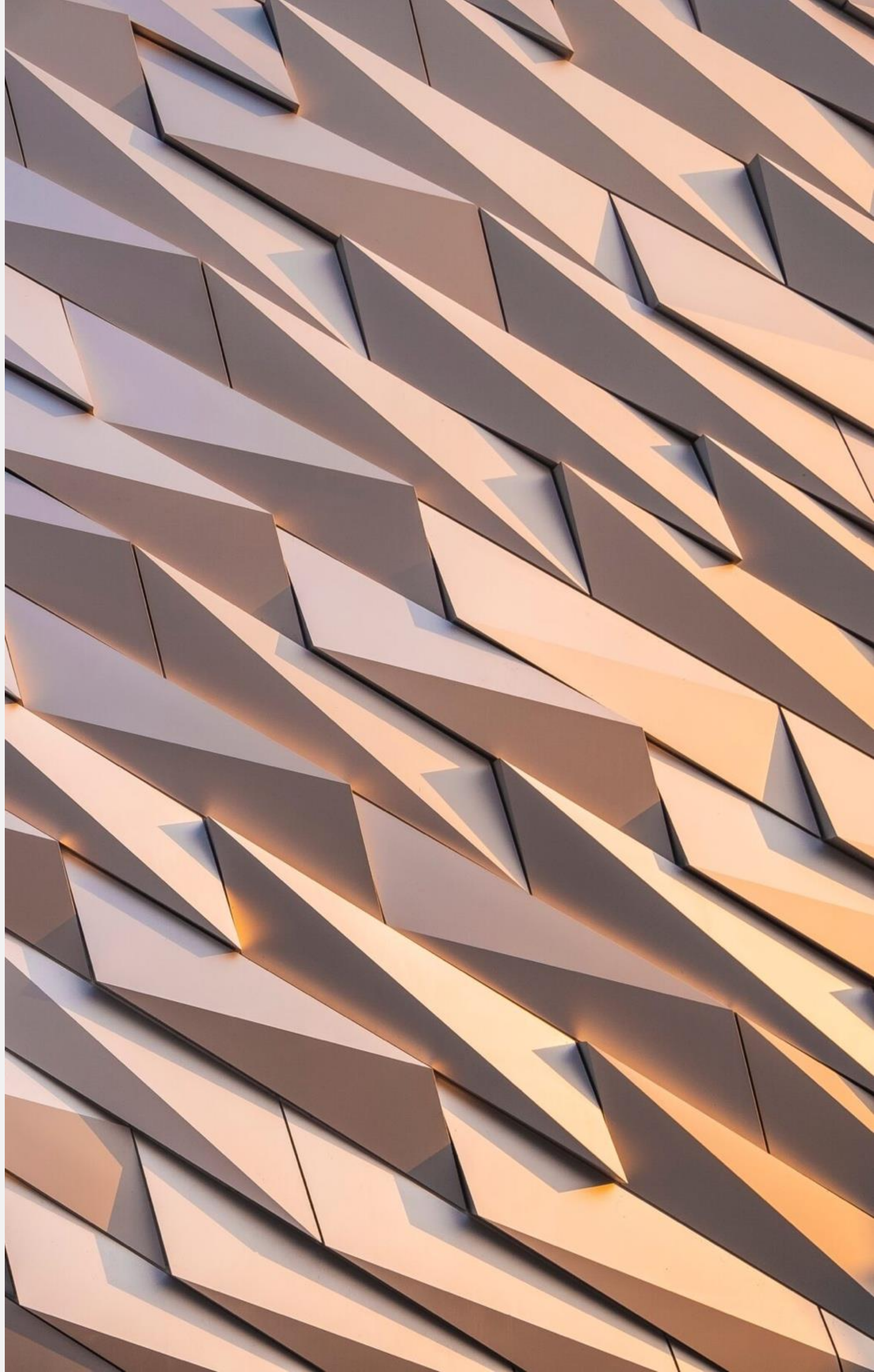
Cavell is an EMEA focused research, and consulting, business with an office in London, as well as remote associates worldwide.

Known as a leading provider of insight into the cloud communications and managed services markets, a key source of market intelligence for service providers, vendors and potential investors, Cavell was formed nearly 20 years ago by a team of senior executives, who had been instrumental in building the early internet market both at UUNET and Level 3.

Since 2003 the firm has delivered consulting services, research, due diligence and professional services solutions in over 50 countries around the world.

Cavell have built a strong reputation as leading analysts of the cloud communications market, providing strategic consulting and research in EMEA and the USA to service providers, vendors, manufacturers and private equity firms. For the last 4 years this has included an enterprise research focus area, regularly surveying thousands of enterprises for their latest opinions on telecoms, and networking.

Cavell has been conducting enterprise focused research, across a range of communication topics, for more than 3 years. This research provides valuable insight from the customer side of technological purchases and can provide insights for service providers and vendors looking to adapt their development, commercial, and go-to-market strategies in order to best cater for changing demand.



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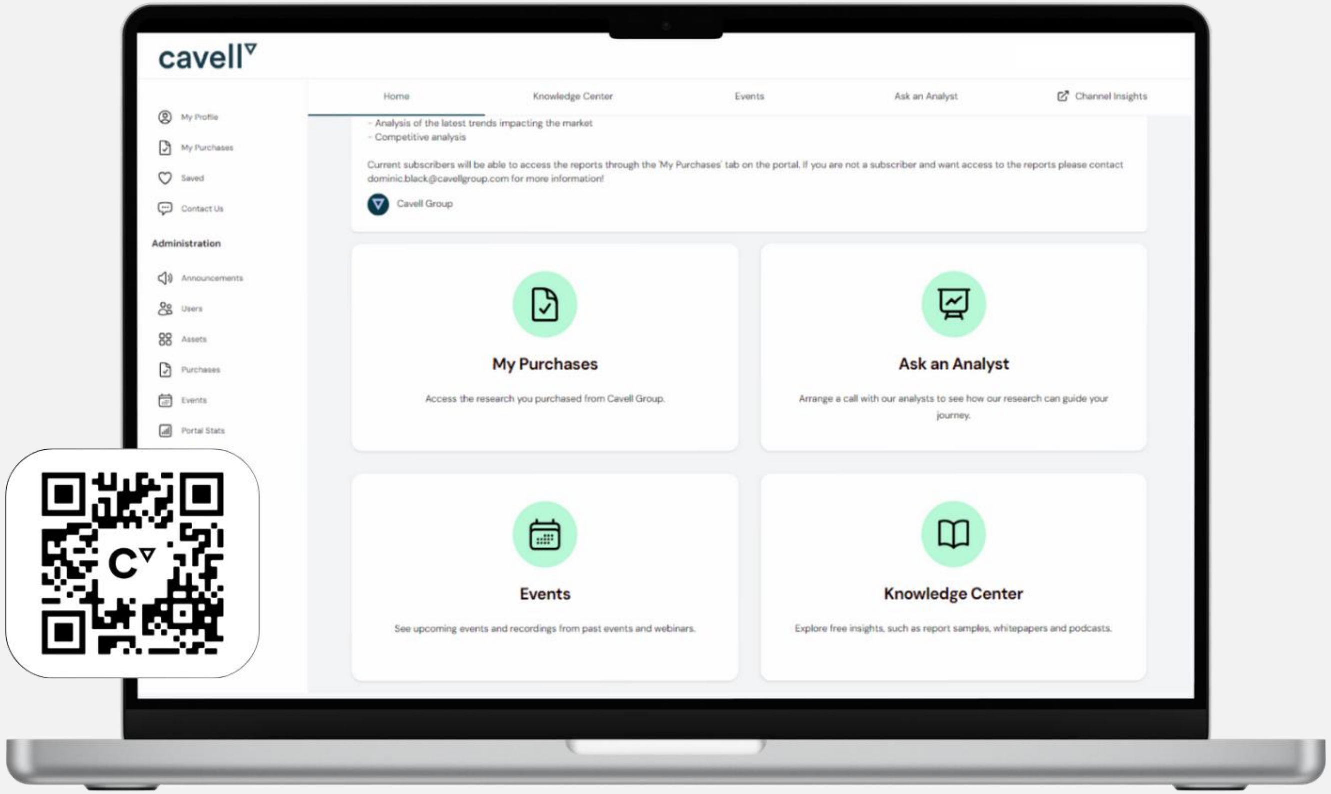

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We look forward to hearing your thoughts in the survey. Thank you for your time and valuable input!

Complete survey