

Executive Agency for Health and Consumers

**CONSUMER MARKET STUDY ON THE FUNCTIONING
OF THE MARKET FOR INTERNET ACCESS AND
PROVISION FROM A CONSUMER PERSPECTIVE**

Final Report

Part 1: Synthesis Report

<i>Title</i>	Consumer market study on the functioning of the market for Internet access and provision from a consumer perspective
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<i>Report finalised on</i>	03.12.2012

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1 EXECUTIVE SUMMARY

Consumers are experiencing widespread problems in their arrangements with Internet service providers (ISPs). This consumer market study on the functioning of the market for Internet access and provision from a consumer perspective in the European Union, Norway, and Iceland confirms the existence of such problems, with over a third of respondents to a consumer survey across the countries covered saying that they have experienced problems with their Internet provider over the last 12 months. The study was commissioned by the Executive Agency for Health and Consumers, acting on behalf of the Directorate General for Health and Consumers of the European Commission, and conducted by Civic Consulting with support of TNS Opinion (consumer survey) and national implementation partners. The study addresses the following main questions:

1. *Decision-making:* Are consumers able to make optimal purchasing decisions in this market? What are the main obstacles to optimal decision-making and what corresponding remedies should be envisaged?
2. *Service:* To what extent does the service provided meet consumers' needs and expectations? What are the main problems encountered? What remedies for these problems can be envisaged?

These main questions – and more than 23 detailed questions provided in the Terms of Reference (TOR) – are answered on the basis of research conducted between September 2011 and April 2012 in all 27 Member States of the European Union, Iceland, and Norway. Research comprised of an online consumer survey (with close to 30,000 respondents), mystery shopping exercises (an evaluation of comparison and provider websites as well as a switching exercise), interviews, literature review, and surveys of national regulatory authorities, alternative dispute resolution entities, members of the Consumer Protection Cooperation Network, consumer organisations, Internet service providers (ISPs), and business associations of ISPs. The study consists of three parts: Part 1 presents the main findings from the study, whereas the other parts present detailed methodology and results of the consumer survey (Part 2) and the mystery shopping exercises (Part 3).

Consumer choice and comparison of offers

Our consumer survey across 29 European countries shows significant cross-country differences in reported average prices for Internet service provision *not* accounted for by differences in connection speeds or technologies. One potential explanatory factor is GDP per capita, because there is a strong correlation between survey respondents' average monthly bills and the GDP per capita of their countries. Additionally, the cross-country differences in reported average prices are thought to

be due in part to structural market conditions (e.g. technological infrastructure and competition).

Significant differences in Internet service markets exist between the EU15 and EU12 Member States:¹

- ▶ Respondents in the EU12 are considerably less likely to rely on DSL for their connection than those from the EU15, instead relying more on cable and, especially in Bulgaria, Romania, Lithuania, and Latvia, optical fibre;
- ▶ The EU12 Member States often have faster connections in metropolitan and urban areas served by cable and optical fibre, but lower quality Internet access outside of these areas. This is reflected in consumer survey data that show for many of the EU12 Member States, particularly Romania and Lithuania, the broadest dispersion in advertised connection speeds, with the proportions of respondents having the highest and the lowest connection speeds both above average. Service provision is generally more homogenous in the EU15.

Competition and technological infrastructure are seen to have a big effect on the choice and price in different localities. Overall, spending on Internet access is similar between locations, but quality of service (as expressed in average reported speed of the connection) is lower in rural areas, possibly because ADSL/xDSL, which generally offers lower connection speeds than cable- or fibre-based services, is more common in rural areas than metropolitan zones and urban centres. Populations in rural areas tend to perceive lower availability and a narrower range of offers than populations in metropolitan zones and urban centres. Consumers in rural areas and those with low connection speeds are generally less satisfied with the options available to them. The prices charged by incumbents tend to be higher than those charged by other providers: On average, consumer survey respondents across the EU spend 36.5 Euro per month on their Internet bundle or standalone Internet access; those subscribed to an incumbent provider pay, on average, over 5 Euro more per month than those with a new entrant provider. There is more opportunity for non-rural consumers to switch from incumbents to a competing provider.

Reasons for choosing Internet service provider

The price and speed of an Internet connection appear to be the two primary reasons influencing consumer choice of their current Internet service provider. Related findings of the study include:

¹ The term 'EU15' is used throughout this report to refer to the so-called 'old Member States', i.e. those countries which joined the European Union prior to 2004 (Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden, and the United Kingdom). The term 'EU12' is used to refer to the so-called 'new Member States', i.e. those countries which joined the European Union in 2004 or afterward (Bulgaria, the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovenia, and Slovakia).

- ▶ Across the EU, value for money is the reason cited by the largest proportion of respondents to our consumer survey (34%) for choosing their current provider, followed by speed of the Internet connection (26%), 'took advantage of a special promotion or offer' (23%), and strong brand recognition of the provider (20%);
- ▶ The importance of special offers or promotions is more evident in the countries in the South of Europe (Greece, Italy, Portugal, and Spain), while respondents in Cyprus, France, and Greece placed emphasis on well-known brands;
- ▶ Since value for money has been found to be a key factor in survey respondents' choice of provider, it is of interest to note that 70% of respondents agree that their current Internet tariff/package indeed constitutes good value for money. However, more than a quarter (26%) of respondents disagrees with this statement.

Clarity of offers

In our consumer survey, respondents that had compared different offers in the last 12 months were asked how clear they found the information on various different aspects of the offers. The results show that information in offers is perceived as being clearest in relation to contract duration and monthly price; connection speed and the inclusion of other services in the package are also aspects generally perceived as clear. However, clarity of information is lowest in relation to the blocking or slowing down of certain Internet services, additional costs (e.g. activation/installation and termination fees) and the use of personal data or bank details by the provider.

This ambiguous picture was confirmed when our mystery shoppers scrutinised ISP websites: They reported that 67% of evaluated ISPs provide clear information regarding the offers on their website (41% fairly clear, 26% very clear); the remainder provide unclear (25%) or not at all clear (8%) information. Mystery shoppers assessed less than two-thirds (64%) of the websites as useful in allowing them to make an informed choice. However, on as many as 36% of ISP websites the mystery shoppers did not think that they were being assisted in arriving at an informed choice. The key issue here appeared to be the absence of vital information about the offers. Most frequently, mystery shoppers mentioned that information on speed, availability, and contract terms was not provided or unclear. For example, information was frequently not provided on the assessed ISP websites regarding contract duration (30% of websites), upload speed (32% of websites), download limit (56% of websites), blocking/throttling of specific websites or services (94% of websites), and the fee for terminating a contract before it expires (72% of websites). Notably, though, the absence of relevant information on blocking/throttling and download limit cannot reliably be interpreted to mean that the vast majority of providers do apply blocking or throttling policies or download limits.

There are some geographic/demographic differences in perceived clarity of offers. For example, consumers in the EU15 tend to give relatively lower overall ratings on clarity, while consumers in EU12 Member States give higher overall ratings.

Also, survey respondents who have considered switching their Internet service provider (but have not actually done so) give consistently lower ratings than either those who have actually switched or those who have not considered switching. This suggests that people who are thinking about switching provider may fail to make a switch because they feel they are not getting clear information about different offers.

Notably, switching exercise participants concluded that information on the following items should be clearly listed in ISPs' offers: comprehensive price information, termination fees, connection speed (download and upload, plus actual speed received), geographical coverage/availability, specific description of other services included in a bundle, and accessibility of customer service. They also indicated that clearly stating specifics of the offer in a bullet-point format could make the information easier to absorb and thereby facilitate comparisons.

Comparison of offers

About two thirds of respondents to our consumer survey (63%) said they had compared offers for Internet provision in the last 12 months. Amongst those who did compare offers, about two thirds found it easy to do, with those respondents more experienced with Internet usage typically finding it easier than those less experienced. Significant cross country differences in the rate and ease of comparison were reported, but a significant correlation between the degree of switching and the ease with which respondents were able to compare offers is observed: Respondents who have considered switching (but have not actually done so) are much more likely to have found comparing offers complicated as actual 'switchers' or 'non-switchers'. This suggests that those considering switching have often not made a switch because of difficulties they have had comparing different offers, confirming an observation regarding clarity of offers, where 'considerers' give lower ratings than the rest of consumers (see above). Additionally, those countries with higher percentages of respondents who have compared offers in the previous 12 months tend to have higher percentages of respondents with access to more than 3 Internet service providers.

Generally it is easier to compare alternative offers made by an individual ISP than it is to compare offers between ISPs. Also, bundling of services can increase the difficulty of making comparisons between ISPs.² This is especially relevant, as the vast majority

² Participants in the switching exercise reported some difficulties in comparing bundles, and the results of Question 20 of the consumer survey ("When you last compared offers from Internet service providers, how clear was the information provided on each of the following aspects?") show that respondents currently using standalone connections found price information clearer than those with bundle connections (average of 8.0 compared to 7.4 on a scale of 1-10) the last time they compared offers; they also found information on contract duration clearer (average of 7.9 compared to 7.4 on the same scale).

of survey respondents in all countries, and across all age groups, receive Internet access as part of a bundle of services, with only 14% of respondents having standalone Internet access with their current provider.

Comparison websites

The research conducted for this study has shown that comparison websites (CWs) for Internet service provision are less frequently available than comparison websites in other areas, such as products. In 17 of the 29 countries subject to this study fewer than 5 relevant CWs were identified at the time of research (in 7 countries, no relevant CWs were identified during the research period). The absence of comparison websites in some markets and a lack of knowledge of their availability are reflected in the results of the consumer survey: Just 46% of respondents say they have ever used a comparison website for this purpose. Around a third of all respondents (32%) report that they don't know of a comparison website for Internet service offers (26%), or don't know what a comparison website is (6%). Consumer survey respondents who have used a comparison website to compare offers from different providers describe their experience in most cases in positive terms. However, one in ten CW users (9%) experienced that offers found were not up to date or complete. In comparison, the highest ranked negative item in a similar question asked for a previous study on price comparison websites for e-commerce in goods was chosen by only one in thirty PCW users (3%).³ This could indicate that consumers' experience with comparison websites in the Internet service provision market compares unfavourably with the experience consumers have with similar tools in other markets.

Significant shortcomings of comparison websites are confirmed by the mystery shopping exercise conducted for this study, which provides an in-depth look at the functionality and associated usefulness of comparison websites. Key findings include:

- ▶ The evaluation of 81 comparison websites in 22 countries indicates that in many cases CWs do not appear to be providing consumers with reliable or trustworthy information on which they can make informed decisions. Only 41% of CWs were rated by mystery shoppers as helpful in allowing an informed choice;
- ▶ The vast majority of CWs provide consumers with little or no information about how they select ISPs, how often they check offers or prices with ISPs, how their revenue is generated and in what ways that may impact on the presentation or selection of offers by the CW, or if they comply with any accreditation scheme or industry code of conduct in their operations;
- ▶ As might be expected, on those performance aspects for which mystery shoppers made identical comparisons of both ISP and comparison websites,

³ Civic Consulting. 2011. *Consumer market study on the functioning of e-commerce and Internet marketing and selling techniques in the retail of goods.*

their ratings were positive for a significantly larger proportion of ISP websites than comparison websites. This denotes that the comparison of often similarly presented offers from the same providers is easier than cross-provider comparisons, though the documented ability of some CWs to provide clear cross-provider comparisons indicates that this is possible;

- ▶ Overall, CWs run or accredited by regulatory authorities were more favourably assessed by mystery shoppers than non-regulator CWs; however, the sub-sample of regulator-run or accredited CWs comprises only 10 websites, which limits the strength of any associated conclusions;
- ▶ Mystery shoppers' comments about those CWs they assessed as very user friendly suggest that the following factors improve user-friendliness: 1) a clear and simple interface; 2) the availability of multiple precise search filters allowing one to filter offers according to various product criteria and rankings; 3) a lowest-price-first default view of search results; 4) results that are clearly presented on one page in large font; 5) prices that include all costs – and definitely line rental fees, if applicable – for a given period (one mystery shopper commented that such costs were visible on a CW for the first and second year of the subscription); and 6) clear/comparable display of relevant technical information.

Switching

The ability and willingness of consumers to switch service provider easily and with confidence is critically important in harnessing competitive pressure to help improve customer service. If switching is difficult, costly, discouraged or impeded, customers would be 'locked in' and this would limit the incentive/pressure on service providers to provide best practice/improved customer service in order to dissuade customers from migrating to another supplier.

Consumer savings from switching

The benefits of switching are considerable: In the consumer survey, respondents reported average savings of 14.7 Euro per month across the EU27 since switching provider, with little variation by age group and speed of connection, but a significant difference between those who have broadband access as a standalone product (11.5 Euro) and those who have it as part of a bundle (15.0 Euro).⁴ The average amount survey respondents report saving per month varies substantially by country: the highest amount is in Cyprus (23.7 Euro per month), while the lowest amounts are in Bulgaria, Romania, Lithuania, and Latvia. Respondents in the latter countries

⁴ The figure of 14.7 Euro is based on the three quarters of survey respondents that reported saving money by switching provider (in the EU average). Small proportions of respondents indicated that they now pay more (6%), about the same (11%), or cannot compare the two monthly bills because the packages are different (8%).

experience lower absolute savings from switching at least in part because they pay significantly less for their Internet connections.

To assess accumulated savings that European consumers could obtain by switching provider, this study presents the results of an in-depth economic analysis. It provides a monetary quantification of the consumer welfare gains that could be achieved if consumers in the countries subject to this market study switched their Internet service provider. The assessment exclusively identifies the monetary gains achievable by switching to the same type of package, with the same or higher advertised speed range, offered at a lower price. Savings are calculated on the basis of price data in the BIAC database, which is the most complete available dataset on prices offered by ISPs. It provides price data for a total of 3,214 offers from those ISPs that provide broadband services to 90% of consumers with Internet access in each of the 29 domestic markets relevant for the study.⁵ The analysis has yielded aggregate figures for all countries, plus a final sum, but it also provides average yearly savings at the household level for each of the countries. It includes the savings for all components of a bundle, as it is not possible to separate the cost of the Internet connection from other service components. *In aggregate, we estimate that consumers in the EU27 Member States could save between 7,289.5 million Euro and 8,606.7 million Euro per year by switching from their current provider to the provider offering the cheapest tariff for the same service elements.* This is equivalent to average household savings of between 105.3 and 123.2 Euro per year when switching provider, or 8.8 to 10.3 Euro per month.

This estimate is conservative in nature. If there is generally a downward trend in prices for Internet provision then one may expect existing customers to be paying a higher price than the new subscriber price identified in the BIAC database used for the analysis. Therefore, the gains from switching may be larger than we have calculated, because many existing customers may switch from a higher price point. Also not considered are the potential non-monetary welfare gains that consumers could achieve by obtaining better services (such as a faster connection) for the same price.

The following sub-sections detail the results of this study that provide some insight as to why most European consumers currently do not make use of this potential benefit of switching their Internet provider.

⁵ Broadband Internet Access Cost (BIAC) database prepared for the Directorate General for Communications Networks, Content and Technology (DG CONNECT) of the European Commission, data as of 02/2011. Available at: https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/study_broadband_access_costs.pdf.

Switching behaviour

Key findings of the study on the behaviour of European consumers regarding switching ISP include:

- ▶ Across the European Union, only about 10% of households have changed their Internet service provider, according to Eurobarometer data;⁶ the highest switching rate is seen in Finland, while the lowest reported rate is in Hungary;
- ▶ Our survey results show that the proportion of switchers is higher in metropolitan areas than in rural zones or villages and that age also appears to have an effect on switching, with more people over the age of 55 identifying themselves as 'non-switchers' than in the three other age categories;
- ▶ Survey respondents who switched are more likely to have had standalone Internet access with their previous connection (22%) than with their current connection (12%);
- ▶ A significant proportion (44%) of respondents have switched tariff or package with the same provider; and it appears the threat of switching is being used to negotiate a better price (19% of 'considerer' respondents indicated that they have not switched because they want to see if their ISP offers a better deal first);
- ▶ The driver of switching most often cited by survey respondents is price: 46% of respondents who had switched identified the availability of a lower price as a reason for changing provider;
- ▶ A second key driver is connection speed: 28% of switchers responding to the survey indicated that a 'slower than it should be' connection speed with their previous provider served as an impetus to switch provider;
- ▶ The principal barriers for those respondents who considered switching but did not switch were the expected direct costs of switching, in particular a penalty for leaving their current supplier or additional fees for switching; reluctance to leave a 'known' company; and lack of time/ difficulty in comparing offers;
- ▶ The two main reasons why survey respondents did not even consider switching are satisfaction with their current provider and a belief that that provider offers them the best value for money.

⁶ Due to the online survey methodology employed for our consumer survey, which likely sampled switchers at a higher rate than other survey methodologies would (because online respondents are more likely to be savvy Internet users and have switched provider), we have made reference to relevant Eurobarometer data (Special Eurobarometer E-communications Household Survey, July 2011, QC8) to identify the percentage of switchers in each country. However, our survey results do provide relevant insights to the socio-demographics of switching behaviour and other details.

The switching process

The study also examined the switching process itself, specifically formal switching arrangements employed across the EU, the assessed ease of the process, and problems experienced by those who have switched. To understand consumer experiences regarding switching better, the consumer survey was complemented by an exercise conducted in six countries (Bulgaria, Germany, Poland, Spain, Sweden, United Kingdom), in which consumers switched their Internet service provider. The key findings are that:

- ▶ Half of consumer survey respondents across the EU report that their new provider arranged the switch for them; around a third of respondents organised the switch themselves;
- ▶ On average, survey respondents across the EU spent 2.5 hours of personal time on the switching process; the average time spent was longer for younger respondents and those using the Internet at home for business purposes, and those with a bundle generally spent longer than those with standalone access;
- ▶ The vast majority of survey respondents who had switched provider regarded the process as very or fairly easy, with only 10% indicating they found it difficult.

The positive assessments of consumers regarding the ease of switching are contrasted by the view of some of the regulators interviewed for this study, who regard the switching process as bureaucratic and inconsistent. Our stakeholder survey asked national regulatory authorities (NRAs) to identify any issues associated with switching that in their view act as a barrier to changing provider. Twelve of the twenty NRAs that responded to this question indicated they have observed such issues, including “difficulties of a technical or factual nature”, as one NRA put it. In fact, both the consumer survey and the switching exercise revealed that around half of those that switched providers experienced problems. This grounds regulators' concerns about barriers to switching in the consumer survey and the switching exercise by confirming the existence of problems cited by the regulatory authorities – many switchers experience such problems but they still overwhelmingly see switching as easy, thereby separating the switch from the problems experienced. In more details, problems are reported as follows:

- ▶ Almost half (44%) of respondents in the 'switcher' sub-sample report experiencing problems of some kind when switching provider; problems were more likely to be reported by younger people, those in metropolitan zones, those using their connection for business purposes, those with bundles, and those with slower connection speeds;
- ▶ Similarly, about half the participants in the switching exercise experienced problem(s) when switching provider, with the most frequently mentioned

problems relating to a significant interruption in connection, technical difficulties, and cancellation of the contract with the old provider;

- ▶ A quarter of consumer survey respondents who had switched reported experiencing no connection interruption; where there was an interruption, on average respondents were without Internet access for 4.7 days;
- ▶ In countries where DSL is the main infrastructure, survey respondents tend to have experienced a longer service interruption when they switched provider.

In spite of the experienced problems, consumer survey respondents reported a high level of satisfaction with switching: 80% of those who had switched were satisfied with the outcome, with satisfaction levels being generally consistent across different EU Member States. The survey also indicates that respondents with post-switch connection speeds above 12 Mbps were more satisfied than average, while those with lower speeds were less satisfied. These results are largely consistent with the results of the switching exercise. In this exercise, more than two thirds of the participants reported they were satisfied that they had switched their provider, though in contrast to the consumer survey results this ratio differed significantly by country. Where participants were not satisfied, the following problems had occurred: loss of connection for a significant duration; technical difficulties with new service; charges billed for the new connection before it became functional; and non-transferable email accounts.

Contractual barriers to switching

A number of potential barriers to switching relate to contractual arrangements between consumers and their provider, which concern the duration of fixed-term contracts, the charging of fees for early termination, and the automatic extension of contracts. The relevance of all three potential barriers has been explored in this study.

Early termination charges (ETCs): Early termination charges refer to the fees that ISPs impose on customers when they terminate their service agreements before the end of the contract period. There were many complaints about ETCs reported by stakeholders. Article 30 of the Directive 2009/136/EC,⁷ which sets rules for facilitating a change of provider, places an obligation on Member States to ensure "that contracts concluded between consumers and undertakings providing electronic communications services do not mandate an initial commitment period that exceeds 24 months. Member States shall also ensure that undertakings offer users the possibility to subscribe to a contract with a maximum duration of 12 months." This obligation has been, or is being, implemented by all Member States. The stakeholder survey asked national regulatory authorities for the most frequently used contract

⁷ Directive 2009/136/EC of the European Parliament and of the Council of 25 November 2009 amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services, Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sector and Regulation (EC) No 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws.

duration in their country. Of those NRAs that provided a definite answer, 10 identified the most frequently used contract period as 12 months and 7 reported it as 24 months. Thus consumers liable to incur a charge for early termination of a contract could – in the worst case – find themselves with up to 24 months of fees to pay. It is of course unlikely, however, that a consumer would switch immediately after signing up with a new provider. In some countries national regulations limit the maximum allowed termination fee. For example, the Italian regulatory authority identified the maximum fee in that country as 45 Euro, while in Malta the reported limit is 90 Euro. If termination fees are significant they may, in combination with other concerns, be an effective barrier for potential switchers.

To better understand the incentive situation of an average household, this study calculated the financial cost of time spent on switching using consumer survey data on personal time spent on the switching process and wage and working hours data from Eurostat. Taking the average for the EU27 countries of personal time spent on switching (2.5 hours), we identified the average time cost for each individual as 31.9 Euro, assuming the switching efforts were made during work time, and 9.6 Euro if they were made during leisure time. Compared to these costs are the average annual household savings associated with switching Internet provider that have been calculated in our economic analysis as being on average between 105.3 and 123.2 Euro per household (see above). In other words, *our results estimate first year net savings of switching provider at between 73.4 Euro and 113.6 Euro per household*. These net savings do, however, not include any additional costs of switching such as termination fees that may be due. It is obvious that termination fees that are falling in the 40 Euro to 100 Euro range (or sometimes higher) limit the financial incentive to switch considerably, especially if consumers only make a first-year cost-benefit analysis. A related problem is that termination fees are often not transparently communicated: According to the assessment of our mystery shoppers, 72% of ISPs provided no indication of whether fees would be imposed for early termination of the contract. Only on 22% of ISP websites could mystery shoppers find such information (9% easy to find, 13% difficult to find). On a further 6%, the information provided was unclear.

Contract duration: The contract duration insisted upon by ISPs is an issue generating a considerable number of complaints. The maximum contract period for current subscriptions for broadband is at present often 24 months (see above) and there are concerns that this is too long and presents a problem for consumers. A fixed contract term allows the provider to set a lower price at the start of the contract, for example in the form of a discount for the first few months and/or free equipment, and to recover that discount over the whole contract term. This may lower some perceived barriers to switching, such as the need to purchase new equipment, if a provider with a different access technology is chosen. The extent to which contract periods serve as a barrier to switching depends on the penalty for early cancellation and the length of the contract. Our mystery shoppers found that almost half the ISP websites surveyed

(47%) provided information on contract duration that was clear and easy to find. A further 16% of ISPs provided clear information that was difficult to locate, while on 7% of ISP websites, the information provided was unclear. Sometimes information on contract duration was not provided in the main offer description but located in small print at the bottom of the page, on separate pages or in PDF documents (such as a price list, terms and conditions, product description, etc.). On 30% of ISP websites, our mystery shoppers could not find information on the contract duration of the assessed offer. On some ISP websites there was an option to select from a variety of different contract lengths (e.g. no specified period, 6 months, 12 months, etc.). According to mystery shoppers' comments, in some of these cases extra costs were incurred for choosing a shorter contract period. However, it is pertinent to note that in the consumer survey we conducted, 32% of respondents who had considered switching said that shorter contracts would be *helpful in making it easier for them to switch*.

Automatic extension of contracts: Automatically renewable contracts (expiring contracts that automatically extend to a new contract period unless the customer actively opts out of the renewal) are sometimes perceived as being unfair because they may lock consumers into prolonged contracts unless they actively 'opt out'. EU consumer protection directives⁸ do not prohibit the concept of automatically renewable contracts. National contract law or regulators may impose constraints. For instance, Ofcom has prohibited automatic renewal of contracts. Also, in some cases fixed period contracts may roll over into non-fixed term contracts terminable at any time. Our mystery shopping exercise found a notable lack of transparency of ISPs concerning this issue: Only 18% of ISPs provided information on the automatic extension of contracts when our mystery shoppers assessed a prominently advertised offer. In less than half of these cases was the information clear and easy to find (8% of total), while in the remaining cases it was either difficult to find (5%) or unclear (5%). On 82% of ISP websites, the mystery shoppers could not find information about the automatic extension of contracts. On those ISP websites where the information was provided that the contract would be automatically extended, this was sometimes found in a separate document, such as the terms and conditions. Some ISPs, however, made this information clear and easy to find. In particular, when ISPs do not practice automatic contract extension, it appears from mystery shoppers' comments that this is advertised fairly prominently.

Unfair commercial practices and contract terms

Of the national regulatory authorities, consumer organisations, members of the Consumer Protection Cooperation Network, and ADR entities that responded to our stakeholder survey, 48% indicated that in their view the use of unfair commercial practices by broadband Internet service providers in their country is common (8% very common and 40 % fairly common).

⁸ Specifically, neither the 2005 Unfair Commercial Practices Directive nor the 1993 Unfair Contract Terms Directive.

The commercial practices most commonly reported as potentially unfair by consulted stakeholders include: differences between advertised and actual quality of service; price intransparency; switching obstacles (e.g. providing incorrect information on withdrawal terms, not allowing withdrawal contrary to contractual provisions, or making it difficult to obtain necessary information); and other practices, including harassment or alternative aggressive practices.

Regarding contract terms, 35% of national regulatory authorities, consumer organisations, members of the Consumer Protection Cooperation Network, and ADR entities that responded to our stakeholder survey reported that the use of unfair contract terms by broadband Internet service providers is very common (7%) or fairly common (28%) in their country.

The contract terms most commonly reported as potentially unfair by consulted stakeholders include: terms limiting or excluding providers' responsibility; roll-over contracts; fixed-term contracts and termination fees; the one-sided power of the ISP to change contract terms; and other practices such as the use of illegibly small font in general terms.⁹

The legal analysis presented in Section 7 confirms that several practices frequently reported through the stakeholder survey and switching exercise may indeed constitute unfair commercial practices or contract terms, depending on the specific circumstances associated with individual cases.

Consumer problems and redress

As indicated before, across the EU over a third (37%) of respondents to our consumer survey report that they have experienced problems with their Internet provider during the last 12 months. The incidence of problems is higher for respondents in the EU12 than in the EU15; and, among the EU15 Member States, the reported incidence is higher for the countries of Greece, Italy, Portugal, and Spain than the remaining EU15 Member States, plus Iceland and Norway. The incidence of problems among respondents subscribed to an incumbent provider and those subscribed to a new entrant provider are nearly identical.

In regard to the issues consumers mostly complain about in regard to ISPs, technical issues were ranked foremost. The most common types of problems reported by consumer survey respondents are:

- ▶ Interruptions to the Internet connection, which are experienced by 60% of respondents who had a problem with their provider;
- ▶ Slower than advertised connection speed (41%); and

⁹ As explained in Section 7.2.3, terms written in illegibly small font could also qualify as a misleading omission under Art. 7(2) of the UCPD Directive.

- ▶ Blocking or slowing down ('throttling') of services (22%);
- ▶ In addition, there were problems with poor customer service (26%) and slow service repair times (23%); and
- ▶ Bills with errors (12%) and unclear bills (10%).

Information obtained through our survey of stakeholders (such as NRAs, consumer organisations, ADR entities, ISPs and others) is consistent with these consumer survey results: on average, technical issues were ranked as those for which the organisations receive the most frequent complaints from consumers, with billing problems reportedly leading to the next highest level of complaints, followed by contract issues and commercial practices/transparency of offers.

The study found that better information is an essential aspect of improving billing; however, better information in bills does not necessarily equate to the inclusion of more information. Billing is not only about the amount of information but also the manner in which it is communicated (including the design/layout of bills and whether online or paper billing is preferable). With regard to easy-to-understand bills, participants in the switching exercise generally considered the following aspects important: itemised bills; clearly stated billing periods; inclusion of the provider's contact details (particularly a phone number); avoidance of small print; and non-inclusion of irrelevant information or advertisements.

Three percent of consumer survey respondents reported problems with misuse of their personal data by their Internet service provider, which is significantly lower than the percentage reporting technical problems such as connection speed issues and connection interruptions. In absolute terms, however, this suggests a significant number of consumers may be affected by misuse of their private data.

Consumer detriment in the Internet provision market

As a result of problems experienced with their Internet provider, consumers may suffer detriment because they cannot access and use their Internet service in a way that meets their reasonable expectations, and/or because they spend time solving problems. This study provides a quantitative estimate of both these elements of consumer detriment, and comes to the conclusion that the problems experienced by consumers cause significant detriment. The approach used is to effectively take a one-year 'snapshot' of the percentage of households experiencing problems and the personal time spent trying to solve them, plus the connection downtime that resulted. *In regard to consumers subscribing to standalone Internet access our estimate of annual detriment is between 122.1 million Euro and 368.5 million Euro for the EU27. For consumers subscribing to bundles, annual detriment is estimated at between 1,239.0 million Euro and 3,528.0 million Euro. The total annual consumer detriment is estimated at between 1,361.1 million Euro and 3,896.5 million Euro.* This one-year estimate is conservative since the interruption of an Internet connection due to problems

experienced can lead to other costs, which we have not considered (such as the costs consumers may bear for alternative access to the Internet). Finally, we have not considered the distress arising from problems and the efforts to solve them, which is an important – but difficult to quantify – component of consumer detriment.

Customer service and complaint handling

The evidence generated from our surveys and other sources suggests that customer service and complaints handling in the Internet access and service market consistently falls short of what many consumers expect. 26% of all survey respondents across the EU disagreed with the statement that in case of problems the Internet provider gives a useful answer (66% agreed with the statement, the rest did not have an opinion). A similar proportion of slightly more than a quarter (26%) of those who experienced a problem during the last 12 month reported that customer service was poor. In our switching exercise, in which participants also tested the customer service of the old and the new provider with emails requests and phone calls, they were not at all satisfied or fairly dissatisfied with 41% of contacts.¹⁰ Even though these results imply that in a majority of cases customers felt satisfactorily treated, this indicates large differences in the quality of customer service between providers, and the existence of a significant minority of consumers that feel badly treated.

On average, Internet service providers took 1.7 weeks to resolve the biggest problems consumer survey respondents had experienced during the previous 12 months (50% of respondents reported that their biggest problem was resolved in less than 1 week, while 10% of respondents needed to wait more than 5 weeks). The majority of survey respondents reported satisfaction with the final result (62%) of the action they took in response to the biggest problem they had experienced; however, more than a third of respondents (35%) were unsatisfied, including 9% who were not at all satisfied.

Responses from the switching exercise indicate that participants value ISPs which are easy to contact; acknowledge problems; respond quickly with needed information; succeed in putting things right; and provide a degree of sympathy.

Dispute resolution

Despite the presence of well-functioning ADR entities in some of the Member States, take up and use by consumers of ADR appears to be low, as evidenced both by the consumer survey and the survey of ADR entities. Only 5% of those respondents that experienced a problem with their Internet service provider over the last 12 month filed a complaint with an alternative dispute resolution entity, less than the number

¹⁰ Satisfaction with the customer service varied significantly according to the mean of communication used to contact the provider. Participants were satisfied in three-fourths of cases (74%) when communicating with their ISP by phone but in less than half of cases when corresponding via email (43%).

of those that consulted a consumer association (7%) and similar to the number of consumers reporting to have filed a complaint with a government authority or national regulator (5%).¹¹

One of the main reasons for low take up of out-of-court dispute resolution entities is likely a lack of awareness by consumers of their rights, as well as a lack of awareness regarding the existence of these entities. Other elements that act as barriers to the utilisation of ADR by consumers, according to surveyed ADR entities, include the often low amounts of money involved in a dispute and the amount of time that an ADR case can take.

Recommendations

In the following paragraphs we summarise recommendations provided in Section 10 of this report that outline remedies for the identified shortcomings:

- ▶ *Recommendation 1* – Strengthen effective competition by technology-neutral, pro-competitive regulatory policies which lower barriers to entry and facilitate alternative communications infrastructure and providers, including broadband Internet service providers.

- ▶ *Recommendation 2* – Advertised offers made by ISPs and contract terms and conditions must be understandable and clear, including clarity regarding connection speed, prices, billing, contract terms and any additional charges payable. Advertised offers should also be presented in a way that facilitates comparison between different offers.

Require that ISPs provide consumers with the important information about a product in summary form before the contract is signed. Especially important is the clear presentation of information on pricing and on what components the service does and does not include.

Give special attention to the information needs of disabled and vulnerable customers, also considering that simplified, better presented information would likely benefit other consumers as well.

- ▶ *Recommendation 3* – It is recommended that national regulators maintain efforts to improve the quality of information that intermediaries such as comparison websites provide to consumers, and consider establishing accreditation systems for comparison websites for Internet service provision. Where no comparison website exists, the regulator could itself provide one.

- ▶ *Recommendation 4* – Make switching quicker, easier and cheaper to strengthen incentives for service providers to deliver improved performance, including better customer service.

¹¹ The large majority reported to have complained to the Internet service provider (58%) or took no action (23%).

- ▶ *Recommendation 5* – It is recommended that national regulators negotiate or set maximum termination fees that are reasonable and do not become a barrier to switching provider.

ISPs' contracts should make clear any termination charges a consumer will face at the end of the contract and any charges if the contract is terminated early. Any attempt by an ISP to levy, or to threaten to levy, charges that are not clearly stated in the contract should be punishable by a fine.

- ▶ *Recommendation 6* – In our consumer survey, one of the facilitators to switching most frequently indicated by respondents was a shorter contract duration. To facilitate switching, it is therefore recommended that the maximum duration of ISP contracts be as short as possible.
- ▶ *Recommendation 7* – Automatically renewable contracts may lock consumers into prolonged contracts unless they actively 'opt out'. It could therefore be considered to reset the 'default' so that the contract would lapse unless the customer actively 'opts-in' by registering a decision to renew the contract. Alternatively, contracts could roll over into non-fixed term contracts terminable at any time, after the contract period expires.
- ▶ *Recommendation 8* – Enhance consumer protection through codes of practice supported by strong incentives to comply and compliance monitoring.
- ▶ *Recommendation 9* – Develop/strengthen codes of practice on advertising of broadband speeds so that ISPs have to advertise speeds, or (preferably) speed ranges, which consumers are actually likely to experience, and support such codes with strong compliance monitoring.
- ▶ *Recommendation 10* – Consider the use of mandatory requirements with respect to the provision of information on, and the application of Fair Usage Policies, as well as the technical details associated with 'unlimited' plans.
- ▶ *Recommendation 11* – It is recommended that Internet service providers be encouraged to develop customer service charters. Charters that contain common elements, presented in a common form, would help consumers to assess and compare the quality of customer service offered by different service providers.

In addition, it is recommended that relevant regulatory authorities collect and publish ISP-specific customer service data (e.g. complaints data) in order to help consumers compare the customer service performance of different providers.

- ▶ *Recommendation 12* – Introduce best practice in complaints handling, including the way complaints are identified, handled, recorded and performance in resolving them publicised.

Improve transparency of ISPs' complaints-handling performance, as well as the complaints-handling process itself. The latter could be promoted through

the inclusion of information on ISPs' websites that identifies the several levels of a complaints process, from initiating a complaint with the ISP to filing a case with an applicable ADR entity.

- ▶ *Recommendation 13* – It is recommended that national regulators develop, in consultation with ISPs and other stakeholders, a bill presentation standard, where not already available, to encourage all service providers to provide their customers with bills that are clear, unambiguous, and accurate. This standard would provide objective criteria against which the overall presentation and clarity of billing information provided to consumers can be assessed. The EC Good Practice Guidance for Billing could be taken as a reference point for this process.

To help prevent unexpectedly high bills ('bill shock'), consumers should be able to access a range of expenditure management tools from their service provider, depending on their preferences and circumstances. For instance, a requirement could be introduced that alerts about data usage be sent to consumers at nominated points, or consumers could be offered the option to nominate a 'hard-cap', i.e. an upper limit which cannot be exceeded except at their request.

- ▶ *Recommendation 14* – Continue efforts to develop and strengthen effective alternative dispute resolution entities in all Member States, including in the telecommunications field.

Clearly signpost the availability of ADR for consumers seeking redress; for example, all advice-giving entities should signpost ADR if it is available.

ISPs should be obliged to: (a) indicate clearly on their bills and customer information websites information regarding relevant ADR entities; and (b) refer the customer to ADR every time a complaint to the ISP is not resolved within a certain period.

It is recommended that case data from the various ADR entities in the EU be collected in a standardised way along the lines that have been developed by the European Commission for complaints data generally.

2 INTRODUCTION

The Executive Agency for Health and Consumers, acting on behalf of the European Commission (DG SANCO, Directorate Consumer Affairs), has commissioned a consumer market study on the functioning of the market for Internet access and provision from a consumer perspective to Civic Consulting, lead Contractor of the Consumer Market Studies Consortium (CMSC). The study was implemented with the support of a subcontractor, TNS Opinion, and – for the ‘decentralised’ switching exercise in six countries – through collaboration with national implementation partners (consumer organisations).

Objectives and scope of the study

The study focuses on the functioning of the market for Internet access and provision from a consumer perspective in the European Union, as well as Iceland and Norway, and addresses the following main questions:

- ▶ *Decision-making:* Are consumers able to make optimal purchasing decisions in this market?¹² What are the main obstacles to optimal decision-making and what corresponding remedies should be envisaged?
- ▶ *Service:* To what extent does the service provided meet consumers' needs and expectations? What are the main problems encountered? What remedies for these problems can be envisaged?

Part 1 of this report is structured according to more than 23 detailed questions provided in the Terms of Reference (TOR). These questions are grouped into the areas of 'Consumer choice/decision-making: Comparability and Switching' and 'Service Provision: Problems, complaints, complaint handling and dispute resolution'.

Thematic coverage

The study's two main areas of interest are:

- ▶ Consumer choice and selection (including switching) of an Internet service provider (ISP); and
- ▶ The problems experienced by consumers, complaints made and the quality of the service received.

The following issue areas are excluded from the study's core focus:

¹² This question covers both the initial purchase and subsequent decisions to switch (or not to switch) package or provider.

- ▶ Liberalisation and technical and infrastructure issues other than those directly relevant to the consumer experience; and
- ▶ Internet access through mobile phones and tablets.¹³

Time period

The study and data collection are centred on the current functioning of the market for Internet access and provision in the European Union, Iceland, and Norway. The analysis of this market from a consumer perspective has been undertaken on the basis of Civic Consulting's own data collection efforts, which were carried between September 2011 and April 2012, as well as data collected for other recent studies. Data utilised from external sources was mainly collected after 2010.

Approach

The main questions targeted by the study have been answered on the basis of research conducted in all 27 Member States of the European Union, Iceland, and Norway. The research comprised:

- ▶ A consumer survey covering all 29 study countries. The objective of this survey was to explore the habits and attitudes of consumers with Internet access at home. Close to 30,000 respondents participated in the survey;¹⁴
- ▶ An evaluation of comparison and provider websites covering 350 detailed website checks in the 29 study countries (81 comparison websites (CWs) for Internet service provision offers and 269 Internet service provider websites);
- ▶ A switching exercise implemented in partnership with six consumer organisations located in Bulgaria, Germany, Poland, Spain, Sweden, and the United Kingdom;¹⁵
- ▶ Interviews with experts and stakeholders, including consumer organisations, ombudsmen, regulatory authorities, national and supra-national organisations, comparison websites, and industry associations representing Internet service providers;

¹³ The study thus focuses on fixed-line broadband Internet service provision (including provision via dongles or USB sticks).

¹⁴ The consumer survey was conducted online by means of CAWI (computer assisted web interviews) in 25 EU Member States, plus Iceland and Norway, and was complemented by a phone-based (CATI) survey in Cyprus and Malta. The total sample size for the 29 countries is 29,243, with sub-samples of approximately 1,000 respondents in most Member States, as well as Norway, and sub-samples of approximately 500 respondents in the four least-populous countries: Cyprus, Iceland, Luxembourg, and Malta. The target group for the survey was people who have Internet access and responsibility (sole or shared) for their household's choice of ISP. The achieved sample reflects general population figures and national proportions for age and gender. The sample in each country is also robust across three sub-categories: respondents who had switched their Internet service provider during the past 3 years ('switchers'); those who had considered doing so ('considerers'); and those not interested in switching ('non-switchers').

¹⁵ The choice of countries for the switching exercise was influenced by several factors. Geographically, the countries were selected so as to include Member States from different areas of Europe (e.g. the north and south, as well as centrally located countries like Germany and Poland). Country selections were also designed to include both EU15 and EU12 Member States.

- ▶ A survey of stakeholder organisations (national regulatory authorities, alternative dispute resolution (ADR) entities, members of the Consumer Protection Cooperation Network, consumer organisations, Internet service providers (ISPs), and business associations of ISPs).¹⁶

Structure of the report

Part 1 of this report presents the main findings from the study and is structured as follows:

- ▶ *Section 2* (this section) contains an introduction and brief methodological overview;
- ▶ *Section 3* analyses the availability of offers from Internet service providers;
- ▶ *Section 4* examines the clarity of providers' offers and contract terms, while also providing criteria for clear and transparent offers;
- ▶ *Section 5* considers the comparison of offers, including the ease and experience of comparing offers and the availability and usage of relevant comparison websites;
- ▶ *Section 6* offers a comprehensive discussion of switching, specifically focusing on switching behaviour, the switching process, and satisfaction with switching outcomes; additionally, the results of the economic assessment of potential consumer welfare gains from switching are presented;
- ▶ *Section 7* provides a legal analysis of potentially unfair commercial practices and contract terms in the market for Internet access and provision;
- ▶ *Section 8* is dedicated to the discussion of consumer problems and complaints in the market;
- ▶ *Section 9* examines customer service and complaints handling, as well as alternative dispute resolution (ADR);
- ▶ *Section 10* comprises the study's key conclusions and recommendations;
- ▶ Three *Annexes* are also provided and they contain, respectively, the detailed methodology for the economic analysis, references, and the glossary.

Part 2 of this report presents the detailed results of the consumer survey.

Part 3 of this report comprises the methodology and results of the evaluation of comparison websites and Internet service provider websites; its second half focuses on an Internet provider switching exercise conducted in six Member States.

¹⁶ The number of responses received from the different stakeholder organisation types is as follows: 22 national regulatory authorities responded to the survey, as did 17 members of the Consumer Protection Cooperation Network (CPCN), 15 alternative dispute resolution (ADR) entities, 10 consumer organisations, 6 Internet service providers, and 1 European-level business association of Internet service providers.

Acknowledgements

Civic Consulting would like to express its gratitude to all supporters of this study. More specifically, special thanks are due to all of the organisations that responded to our stakeholder survey, as well as to the other stakeholders who provided valuable input through in-depth interviews. This list includes national regulatory authorities, members of the Consumer Protection Cooperation Network, consumer organisations, ADR entities, Internet service providers, business associations of providers, and comparison websites for the Internet access and provision market.

In addition, we would like to thank the members of our technical and legal expert groups who provided expert advice and feedback throughout the study: Dr Patrick Xavier, Richard Cadman, Prof Willem H. van Boom, Dr J. Rupert J. Gatti, Dr Paul A. Kattuman, Dr Vincent Mak, Anna Fielder, Prof Antonina Bakardjieva Engelbrekt, Dr Christine Riefa, Kostas Rossoglou, Dr Peter Rott, Dr Aurea Suñol, and Prof Catherine Waddams.

We also express our gratitude to the consumer associations that implemented the provider switching exercise in six Member States: Bulgarian National Association of Active Consumers; Consumer Association of North Rhine-Westphalia (*Verbraucherzentrale Nordrhein-Westfalen*, Germany); MAG (*Estudios de Consumo*, Spain); Association of Polish Consumers (*Stowarzyszenie Konsumentów Polskich*); The Swedish Consumers' Association (*Sveriges Konsumenter*); and Consumer Focus (United Kingdom).

Finally, we thank the Directorate General for Health and Consumers of the European Commission and other Commission services for the support they provided during the course of the study.

Disclaimer

This report was produced under the Consumer Programme (2007-2013) in the frame of a contract with the Executive Agency for Health and Consumers (EAHC) acting on behalf of the European Commission. The content of this report represents the views of Civic Consulting and is its sole responsibility; it can in no way be taken to reflect the views of the European Commission and/or EAHC or any other body of the European Union. The European Commission and/or EAHC do not guarantee the accuracy of the data included in this report, nor do they accept responsibility for any use made by third parties thereof.

3 AVAILABILITY OF OFFERS

This section of the report addresses the availability of offers from Internet service providers. It examines the level of choice that exists among providers and tariffs/packages; the factors that underlie consumers' decision-making in the market; and whether service provision varies by country or within national markets.

In this section we first look at consumer survey respondents' indications of whether they have access to multiple Internet service providers in their area, the rates at which they are using incumbent providers, and the level of choice they have in terms of their current providers' offerings (Section 3.1).

The next sub-section (3.2) details service provision and product availability by package type,¹⁷ connection speed, access technology, and average prices paid by consumer survey respondents for their standalone or bundled Internet connections.

The final sub-section (3.3) identifies the factors that, according to the results of our consumer survey, receive priority consideration during the decision-making process linked to choice of provider.

3.1 CONSUMER CHOICE IN PROVIDERS AND TARIFFS

The key findings are that:

1. Consumer survey respondents in the EU15 Member States¹⁸ are more likely to have a choice of three or more ISPs, while those residing in the EU12 Member States¹⁹ typically have less choice and are relatively more likely to have access to only one or two ISPs;
2. Across the EU, respondents in rural areas are more likely to have access to only one or two ISPs, while those in metropolitan zones are the most likely to have

¹⁷ In this report, the term 'package' refers to the product that a given consumer has subscribed to with an Internet service provider. This is a broad term which encompasses both 'standalone' Internet connections and 'bundles'. Accordingly, 'bundle' is used throughout this report as a more restrictive term which refers only to Internet service provision packages which contain more than one service, e.g. Internet access and telephony or Internet access, telephony, and TV.

¹⁸ The term 'EU15' is used throughout this report to refer to the so-called 'old Member States', i.e. those countries which joined the European Union prior to 2004. These countries are: Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden, and the United Kingdom.

¹⁹ The term 'EU12' is used throughout this report to refer to the so-called 'new Member States', i.e. those countries which joined the European Union in 2004 or afterward. These countries are: Bulgaria, the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovenia, and Slovakia.

access to more than five ISPs; even in rural areas, though, 50% of respondents report having access to three or more ISPs;

3. In Cyprus (81%), Malta (67%), Latvia (66%), Luxembourg (64%), Estonia (62%), and Lithuania (57%) the majority of survey respondents use the incumbent provider; this proportion is lowest in Sweden (8%), Romania (17%), and Poland (18%);
4. Seventy percent of respondents are satisfied with the tariff/package options available from their current provider, but younger (15 to 24-year-old) respondents, those in rural areas, those with slower Internet connections, and those with standalone access are less satisfied than average.

3.1.1 Number of providers available

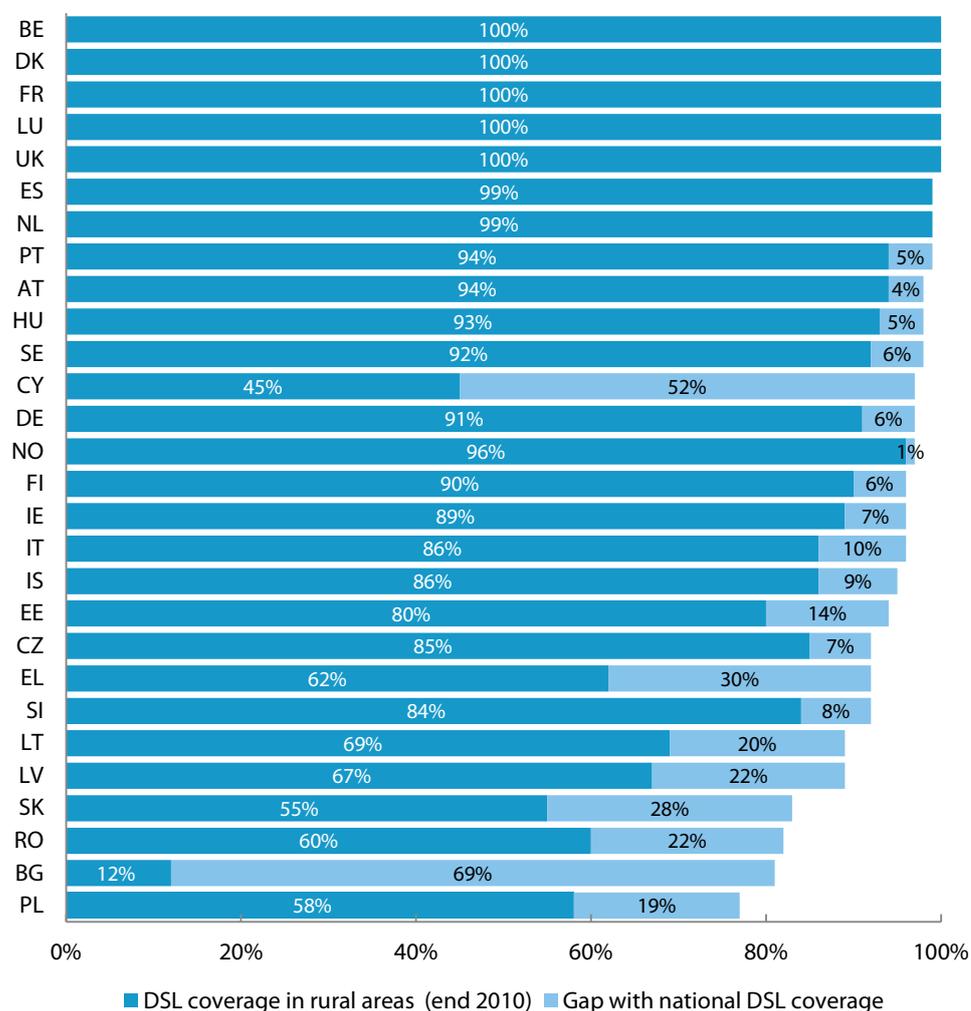
The vast majority of consumers in Europe have access to the Internet through at least one Internet service provider (ISP). A recent report commissioned by the European Commission²⁰ shows that in December 2010 over 95% of consumers throughout Europe had access to DSL networks, the still dominant mode of Internet access.²¹ However, as Figure 1 shows, considerable differences in DSL coverage exist between Member States. Coverage is generally lower in many EU12 Member States, and at or very close to 100% in EU15 Member States. Significantly lower coverage rates are also observed in rural areas of many countries. Again, this is particularly true in the EU12 Member States.

²⁰ IDATE Consulting and Research. 2011. *Broadband Coverage in Europe*. Final Report, 2011 survey, data as of 31 December 2010.

²¹ See the glossary (Annex 3) for the definitions of the technical terms used in this study.

Figure 1. National and rural DSL coverage, analysis by country

Source: IDATE, Broadband Coverage in Europe, Final Report, 2011 Survey.
Note: The definition of rural areas is not applicable in Malta; therefore, the country is not included in this figure.



To some extent, these figures may overestimate consumers' access to DSL, particularly in rural areas, as they include consumers who are connected to DSL exchanges at such a distance that Internet access is not available to them.²²

On the other hand, some consumers residing in households not covered by DSL may have access to alternative connection modes, such as mobile, satellite Internet, or FTTx solutions. The same European Commission report²³ provides data on coverage of 3G networks in Member States, and shows similarly high coverage rates with some differences between countries.

²² However, recent technological solutions, namely 'vectoring' and 'pair bonding', enhance the possibility to deliver xDSL-enabled broadband in rural areas.

²³ IDATE Consulting and Research. 2011.

The number of ISPs available to consumers within countries also varies, with a couple of national regulatory authorities indicating in response to our stakeholder survey that hundreds of ISPs operate in their domestic market.

Table 1. Number of providers offering Internet access in respondents' area, analysis by country

Source: Consumer survey, Q19: When you last compared offers, how many providers offered Internet access in your area (without considering providers that only offer Internet access through mobile phone networks with use of a dongle or USB stick)? (N=17254 for EU27 / 18182 for all countries)

Country	1 ISP	2 ISPs	3 to 5 ISPs	More than 5 ISPs	Don't know
EU27	9%	24%	43%	12%	12%
BE	6%	25%	45%	7%	17%
BG	7%	25%	52%	10%	6%
CZ	7%	24%	46%	5%	18%
DK	13%	18%	35%	15%	20%
DE	10%	20%	43%	15%	12%
EE	16%	34%	34%	2%	14%
IE	11%	28%	40%	7%	15%
EL	8%	17%	51%	12%	11%
ES	10%	21%	46%	12%	11%
FR	6%	22%	44%	16%	13%
IT	10%	25%	49%	10%	7%
CY	11%	43%	30%	4%	13%
LV	15%	25%	42%	8%	10%
LT	18%	36%	33%	4%	8%
LU	7%	26%	54%	3%	10%
HU	12%	31%	44%	4%	9%
MT	22%	48%	22%	0%	8%
NL	7%	18%	38%	16%	21%
AT	8%	25%	43%	9%	14%
PL	11%	33%	43%	6%	8%
PT	7%	23%	54%	9%	7%
RO	12%	38%	40%	5%	5%
SI	9%	23%	55%	5%	8%
SK	9%	24%	48%	9%	11%
FI	12%	14%	49%	6%	18%
SE	9%	16%	37%	11%	25%
UK	8%	21%	31%	22%	19%
IS	2%	23%	54%	5%	16%
NO	11%	21%	38%	12%	18%

However, not all ISPs operate nationally, and the number of different ISPs available to a consumer in a specific location may vary significantly. Taking this point into account, our consumer survey specifically asked respondents to identify the number

of different ISPs available in their area when they last compared offers (if they had done so during the previous 12 months).

Respondents in the EU15 are more likely to say that they have a choice of three or more ISPs, while those living in the EU12 typically have less choice and are relatively more likely to say that they have only one or two ISPs available to them. Specifically, the cumulative results for Bulgaria and Romania,²⁴ show that 49% of respondents in those countries indicate having access to three or more ISPs, and the cumulative results for the other 10 Member States in the EU12 are identical. In contrast, 57% of respondents indicate having access to three or more ISPs across the EU15.

As seen in the following table, the number of providers available to consumer survey respondents also differs by locality type, with respondents in rural areas more likely to report that they have access to only one or two Internet service providers and those in metropolitan zones the most likely to say they have access to more than 5 ISPs. Even in rural areas, though, 50% of respondents report having access to 3 or more ISPs.

Table 2. Number of providers offering Internet access in respondents' area, analysis by locality

Source: Consumer survey, Q19.
(N=17254 for EU27)

	Sub-sample	1 ISP	2 ISPs	3 to 5 ISPs	More than 5 ISPs	Don't know
Average	EU27	9%	24%	43%	12%	12%
	EU15	9%	21%	43%	14%	13%
	EU12	11%	32%	43%	6%	9%
Locality	Metropolitan	9%	22%	43%	16%	11%
	Urban centre	8%	24%	44%	13%	11%
	Rural/Village	11%	25%	41%	9%	15%

3.1.2 Subscription rates to incumbent and new entrant providers

Consumer survey respondents were asked to indicate whether an incumbent or a new entrant Internet service provider supplies their main home Internet connection.²⁵ The following figure shows that 30% of respondents are subscribed to the incumbent provider(s)²⁶ in their country (e.g. *Deutsche Telekom* in Germany,

²⁴ Weighted by the relative population of these two countries.

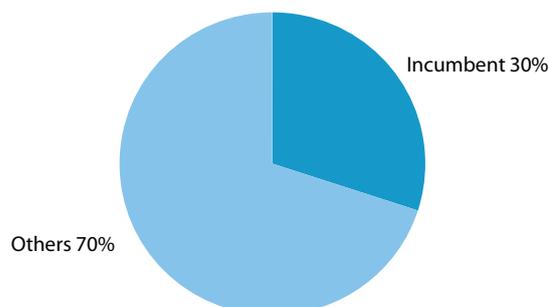
²⁵ Respondents were given a list of Internet service providers available in their country. The incumbent providers were not specifically highlighted as such.

²⁶ Multiple incumbent providers exist in both Hungary and Finland.

British Telecom in the United Kingdom, and France Telecom-Orange in France), while the remaining 70% use another provider.²⁷

Figure 2. Use of incumbent or other provider (EU27)

Source: Consumer survey, Q37: Which Internet provider do you use for your main home Internet connection? (N=27668)

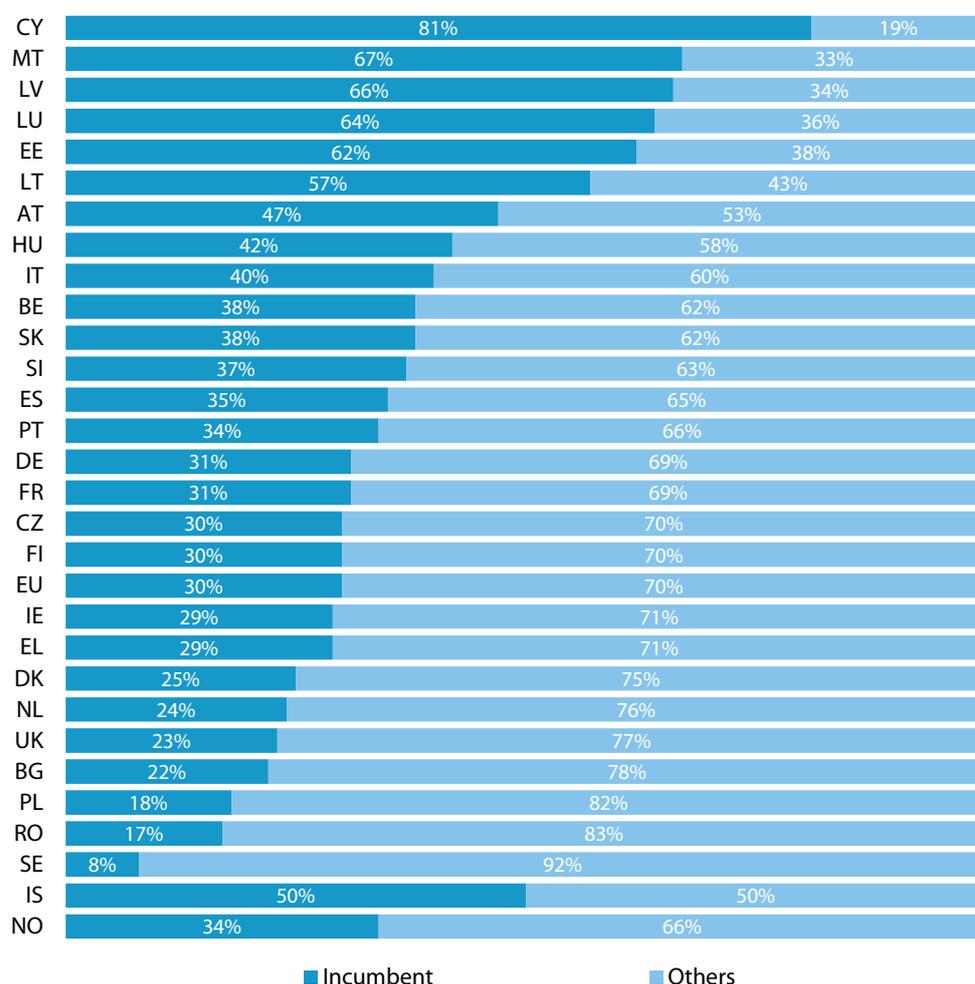


There is some geographical variation regarding the percentage of respondents subscribed to the incumbent provider. As shown in the following figure, in some countries the majority of respondents use the incumbent provider for their main home Internet connection. This is the case in Cyprus (81%), Malta (67%), Latvia (66%), Luxembourg (64%), Estonia (62%), and Lithuania (57%). The proportion of respondents using the incumbent provider when the survey was conducted is lowest in Sweden (8%), Romania (17%), and Poland (18%).

²⁷ Our consumer survey results indicate a relatively high percentage of 'switchers' compared to previous EU-wide surveys that have included a similar question. This is probably due to the survey's use of online consumer panels, on which Internet savvy consumers are likely to be overrepresented. This is reflected in the percentage of respondents subscribed to new entrants, as the inclusion of more switchers in a sample is likely to produce a larger number of respondents who have switched to the new entrant providers.

Figure 3. Use of incumbent or other provider, analysis by country

Source: Consumer survey, Q37.
(N=27668 for EU27 and 29243 for all countries)



The next table shows that respondents with DSL Internet access are substantially more likely than other respondents to use the incumbent provider in their country: this applies to 39% of those with DSL access, compared with no more than 18% of respondents accessing the Internet in other ways. Related to this, respondents with a bundle are more likely than those with standalone access to use the incumbent provider, and also those in rural zones are more likely than other respondents to use the incumbent provider. These findings are related because, as shown in the subsection below on differences in Internet provision by technologies, DSL access is more common among those with bundles and those residing in rural zones, and in many countries the incumbent providers were national telephone companies and therefore now provide DSL connections readily combinable with fixed telephony services.

Table 3. Use of incumbent or other provider, analysis by locality, package type, and type of Internet access

Source: Consumer survey, Q37.
(N=27668 for EU27)

	Sub-sample	Incumbent	Others
Average	EU27	30%	70%
Locality	Metropolitan	26%	74%
	Urban centre	25%	75%
	Rural/Village	42%	58%
Package	Standalone	20%	80%
	Bundle	32%	68%
Internet access	DSL	39%	61%
	Cable	14%	86%
	Optical fibre (FTTx)	18%	82%
	Satellite	17%	83%
	Dongle/USB/Other	18%	82%

3.1.3 Satisfaction with level of choice provided by current Internet provider

Consumer survey respondents were also asked about their attitude regarding the choice of tariffs/packages available to them with their current provider. Their responses suggest a potential divergence between their desired services and those they appear able to select. Seventy percent of respondents are satisfied with the options available to them with their current provider (see table below), but younger (15 to 24-year-old) respondents, those in rural areas, those with slower Internet connections, and those with standalone access are less satisfied than average. In addition to suggesting that younger respondents may be more demanding when it comes to quality or diversity of Internet services, these findings indicate that almost a third of respondents do not have access – with their current provider – to the connection speed and/or bundle they would actually prefer.

Table 4. Attitudes to choice with current provider, analysis by gender, age, locality, package type, WiFi use, and connection speed

Source: Consumer survey, Q25: For each of the following please indicate whether you totally agree, tend to agree, tend to disagree, or totally disagree; percentage indicates the proportion of respondents who 'totally agree' or 'tend to agree'. (N=27668 for EU27)

	Sub-sample	...My Internet provider offers a sufficient choice of tariffs/packages
Average	EU27	70%
	EU15	70%
	EU12	71%
Gender	Male	70%
	Female	69%
Age	15 to 24	65%
	25 to 39	69%
	40 to 54	71%
	55 +	72%
Locality	Metropolitan	71%
	Urban centre	71%
	Rural/Village	68%
Package	Standalone	63%
	Bundle	71%
WiFi	Yes	70%
	No	69%
Speed	Up to 2 Mbps	59%
	>2 to 12 Mbps	69%
	>12 to 30 Mbps	74%
	More than 30 Mbps	76%

3.2 DIFFERENCES IN SERVICE PROVISION AND PRODUCT AVAILABILITY BY LOCATION

This section details service provision and product availability by package type, connection speed, access technology, and average prices paid by survey respondents for their standalone or bundled Internet connections.

The key findings are that:

1. The vast majority of consumer survey respondents in all countries, and across all age groups, receive Internet access as part of a bundle of services, with only 14% of respondents having standalone Internet access with their current provider;
2. Regarding connection speed, many of the EU12 Member States, particularly Romania and Lithuania, show the broadest dispersion in advertised connection speeds, with the proportions of respondents having the highest and the lowest connection speeds both above average; service provision is generally more homogenous in EU15 Member States;

3. Respondents in the EU12 are considerably less likely to rely on DSL for their connection than those from the EU15, instead relying more on cable and, especially in Bulgaria, Romania, Lithuania, and Latvia, optical fibre;
4. On average, consumer survey respondents across the EU spend 36.5 Euro per month on their Internet bundle or standalone Internet access; three quarters of respondents (74%) pay between 11 and 50 Euro per month, with nearly half (44%) paying from 21 to 40 Euro; those subscribed to an incumbent provider pay, on average, just over 5 Euro more per month than those with a new entrant provider;
5. Our consumer survey shows significant cross-country differences in reported average prices for Internet service provision not accounted for by differences in connection speed or technologies.²⁸

3.2.1 Bundles

The vast majority of consumer survey respondents in all countries, and across all age groups, receive Internet access as part of a bundle of services, with only 14% of respondents having standalone Internet access with their current provider (see table below). Across the EU, the majority of respondents (69%) are subscribed to a package that includes fixed telephony, nearly half (37%) have a package including TV, and one in five respondents (19%) have a triple play bundle comprising Internet, fixed telephony, and TV services provided by the same ISP.

Notably though, bundle composition varies significantly between countries and regions – presumably reflecting, at least in part, infrastructural and market differences among countries rather than just consumer preferences.

²⁸ The reported average monthly bill paid by respondents to our consumer survey for a standalone Internet connection is highest in Norway, Luxembourg, and Cyprus (45.5, 40.3, and 37.3 Euro per month, respectively), and lowest in Bulgaria, Romania, and Lithuania (10.0, 10.2, and 10.2 Euro per month, respectively). Notably, these three countries, along with Latvia, are the ones in which respondents were most likely to have optical fibre-based Internet connections. Because bundle compositions vary between countries, the comparison of reported average monthly bills is less conclusive for bundles, although similarly high price differentials can be observed.

Table 5. Whether Internet connection comes as part of a package, analysis by country

Country	Internet + fixed telephony	Internet + fixed telephony + TV	Internet + TV	Internet + fixed telephony + mobile Internet	Internet + fixed telephony + mobile + TV	Internet + mobile telephony	Internet + fixed telephony + mobile telephony	Internet + fixed telephony + TV + mobile Internet	Internet + mobile Internet	Other package	Stand-alone Internet access	Any bundle package
EU27	36%	19%	11%	4%	4%	3%	3%	3%	2%	1%	14%	86%
BE	14%	37%	18%	2%	8%	2%	2%	5%	1%	2%	10%	90%
BG	7%	10%	32%	3%	2%	3%	2%	2%	2%	1%	36%	64%
CZ	14%	10%	18%	1%	1%	6%	2%	1%	2%	1%	44%	56%
DK	22%	13%	21%	2%	2%	4%	2%	4%	2%	1%	28%	72%
DE	56%	12%	6%	4%	2%	3%	6%	2%	1%	0%	8%	92%
EE	8%	54%	13%	1%	2%	3%	1%	2%	2%	1%	14%	86%
IE	42%	9%	15%	3%	1%	2%	2%	1%	6%	1%	19%	81%
EL	58%	7%	4%	6%	2%	3%	9%	3%	1%	1%	7%	93%
ES	54%	5%	7%	9%	2%	3%	6%	3%	1%	5%	6%	94%
FR	22%	39%	5%	4%	16%	2%	3%	4%	1%	1%	4%	96%
IT	59%	6%	7%	5%	2%	4%	2%	2%	3%	1%	9%	91%
CY	45%	25%	8%	2%	8%	0%	1%	1%	0%	0%	10%	90%
LV	25%	31%	20%	1%	1%	1%	0%	1%	1%	1%	19%	81%
LT	25%	13%	28%	1%	1%	3%	0%	2%	2%	1%	24%	76%
LU	28%	10%	3%	7%	10%	2%	30%	3%	1%	1%	6%	94%
HU	16%	34%	19%	1%	3%	1%	0%	2%	1%	1%	23%	77%
MT	6%	24%	3%	1%	31%	0%	3%	5%	0%	0%	25%	75%
NL	22%	46%	12%	5%	2%	0%	0%	3%	0%	0%	10%	90%

Country	Internet + fixed telephony	Internet + fixed telephony + TV	Internet + TV	Internet + fixed telephony + mobile Internet	Internet + fixed telephony + mobile telephony + TV	Internet + mobile telephony	Internet + fixed telephony + mobile telephony	Internet + fixed telephony + TV + mobile Internet	Internet + mobile Internet	Other package	Stand-alone Internet access	Any bundle package
AT	23%	14%	17%	4%	3%	7%	4%	2%	4%	1%	22%	78%
PL	17%	13%	25%	1%	1%	6%	1%	4%	4%	1%	27%	73%
PT	13%	46%	8%	3%	3%	1%	1%	12%	1%	1%	13%	87%
RO	11%	23%	21%	2%	17%	2%	1%	8%	2%	3%	11%	89%
SI	14%	56%	8%	2%	5%	1%	0%	2%	1%	1%	11%	89%
SK	14%	11%	17%	1%	1%	6%	0%	1%	3%	1%	45%	55%
FI	3%	1%	17%	1%	1%	12%	0%	0%	13%	3%	47%	53%
SE	20%	17%	11%	3%	2%	3%	1%	3%	4%	2%	34%	66%
UK	39%	24%	11%	3%	2%	2%	1%	2%	1%	0%	14%	86%
IS	11%	16%	14%	2%	22%	2%	9%	8%	1%	1%	14%	86%
NO	13%	10%	31%	3%	1%	3%	3%	3%	1%	1%	28%	72%

Source: Consumer survey, Q2: Nowadays people may have a combined package of two or more communication services from one provider for a monthly price on one bill. Does your main home Internet connection come with any of the following services as part of the same package? (N=27668 for EU27 / 29242 for all countries)

Respondents are most likely to have standalone Internet access in the 10 Member States that entered the EU in 2004. Across these countries, the standalone Internet access rate among respondents is 29%. Regarding the two countries that entered the EU in 2007, Bulgarian respondents are also relatively likely to have standalone access (36% compared to the EU average of 14%), but Romanian respondents are more likely than average to have a bundle of services (with 89% compared to the EU average of 86%).

The individual countries with the highest incidence of standalone Internet access among survey respondents are Finland (47%), Slovakia (45%), the Czech Republic (44%), Bulgaria (36%), and Sweden (34%). In each of these countries, the high level of standalone Internet use is accompanied by relatively frequent inclusion of television services, as opposed to fixed telephony services, in bundles. This is most notable in Finland, where just 6% of respondents have a package that includes fixed telephony.

Specific industry differences between countries clearly have a significant impact on the uptake of alternative Internet packages. In Spain and Italy, for example, over 50% of respondents report using a double play bundle of Internet access and fixed telephony service, and less than 17% report any package involving TV. Conversely, in France 64% of respondents report having a package that includes TV provision, but only 22% have the just-mentioned Internet and fixed phone bundle. This finding is corroborated by a stakeholder's comment:

"In Italy, the traditional customer is very strong. It's difficult for an ISP to make a video offer, because the ISPs don't have the components for making a video offer. So, the triple-play is difficult there. In France, apparently, they have fewer problems and they're able to get access to premium content, which means soccer and movies, and ISPs will make a bundle for triple-play" (ISP association).

Across locality types, we see that rural survey respondents are more likely to have standalone Internet packages and Internet packages involving fixed telephony, while metropolitan and urban customers are more likely to have packages involving TV (see table below). Overall, there is little variation by age group, although respondents aged 15-24 years are most likely to use a package combining the Internet and TV, while use of fixed telephony packages is higher amongst those aged 40 or over.

Table 6. Whether Internet connection comes as part of a package, analysis by age and locality

	Sub-sample	Internet + fixed telephony	Internet + fixed telephony + TV	Internet + TV	Internet + fixed telephony + mobile Internet	Internet + fixed telephony + mobile telephony + TV	Internet + mobile telephony	Internet + fixed telephony + mobile telephony	Internet + fixed telephony + TV + mobile Internet	Internet + mobile Internet	Other package	Any bundle package	Stand-alone Internet access
Average	EU27	36%	19%	11%	4%	4%	3%	3%	3%	2%	1%	86%	14%
	EU15	42%	19%	8%	5%	4%	3%	4%	3%	2%	1%	90%	10%
	EU12	15%	18%	22%	1%	5%	4%	1%	4%	3%	1%	74%	26%
Age	15 to 24	28%	17%	18%	5%	5%	4%	2%	4%	2%	1%	86%	14%
	25 to 39	32%	16%	14%	4%	4%	4%	3%	4%	2%	1%	85%	15%
	40 to 54	38%	18%	9%	4%	4%	3%	4%	3%	2%	1%	87%	13%
	55 +	40%	23%	7%	3%	4%	2%	3%	2%	1%	1%	87%	13%
Locality	Metropolitan	31%	20%	14%	5%	5%	3%	3%	4%	3%	1%	89%	11%
	Urban centre	34%	20%	13%	4%	5%	3%	3%	3%	2%	1%	87%	13%
	Rural/Village	42%	20%	7%	3%	3%	3%	3%	2%	2%	1%	83%	17%

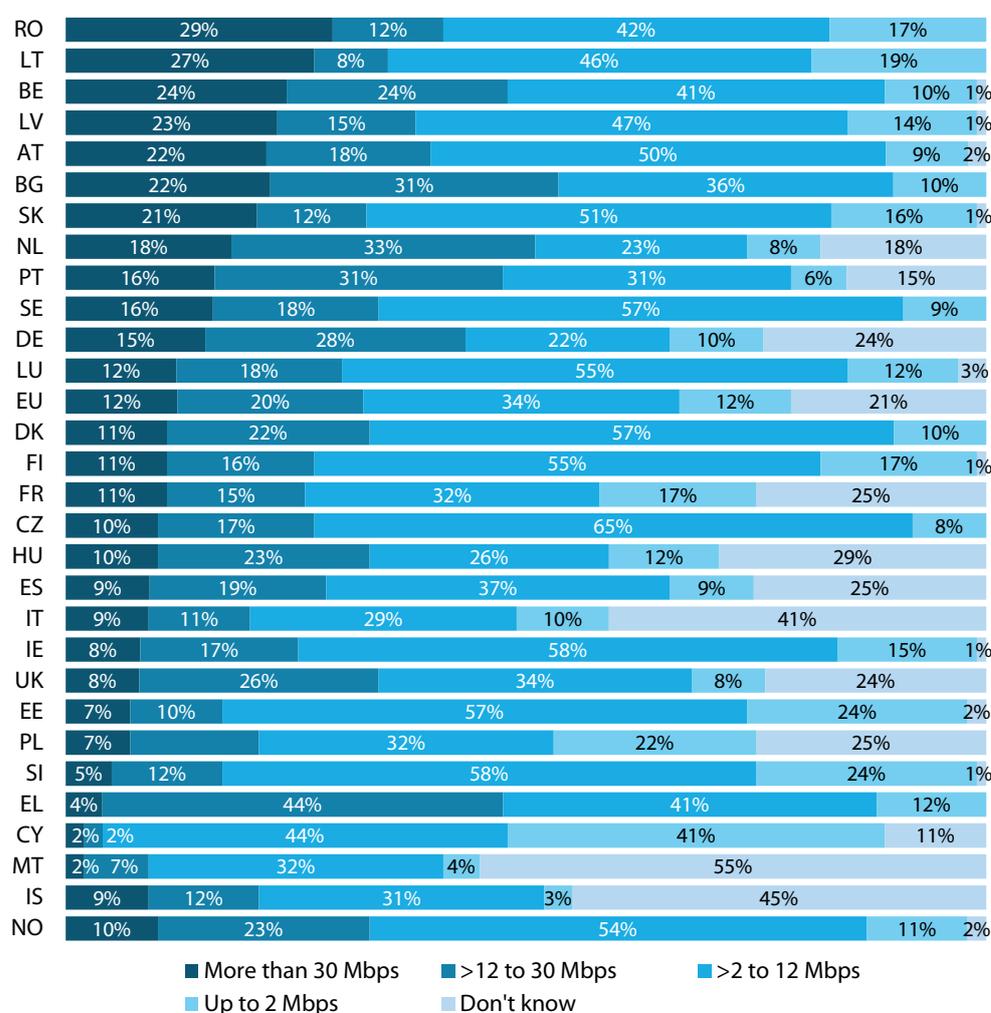
Source: Consumer survey, Q2. (N=27668 for EU27)

3.2.2 Connection speeds

The majority (54%) of consumer survey respondents indicate having an advertised connection speed of between 2 Mbps and 30 Mbps, although once again there is considerable cross-country variance, particularly in the percentage of respondents reporting connection speeds above 30 Mbps (see figure below). It is notable that many of the EU12 Member States, particularly Romania and Lithuania, show the broadest dispersion in advertised connection speeds, with the proportions of respondents having the highest and the lowest connection speeds both above average. This result is linked to the finding that an above average proportion of respondents in the EU12 connect to the Internet via cable or optical fibre (see Table 8), which explains the large share with high connection speeds.

Figure 4. Speed of main home connection, analysis by country

Source: Consumer survey, Q38: How fast is the advertised speed of your main home Internet connection? (N=27668 for EU27 / 29243 for all countries)



Connection speeds are fastest among those respondents who access the Internet via an optical fibre line (29% have a connection speed of more than 30 Mbps), and

slowest where access is via a dongle/USB or satellite Internet. Respondents in rural zones or villages report slower advertised connection speeds than those in metropolitan or urban areas, as shown in the table below.

Table 7. Speed of main home connection, analysis by locality and type of Internet access

Source: Consumer survey, Q38.
(N=27668 for EU27)

	Sub-sample	Up to 2 Mbps	>2 to 12 Mbps	>12 to 30 Mbps	More than 30 Mbps	Don't know
Average	EU27	12%	34%	20%	12%	21%
	EU15	11%	33%	22%	12%	23%
	EU12	17%	40%	15%	15%	13%
Locality	Metropolitan	10%	34%	22%	15%	19%
	Urban centre	10%	34%	23%	13%	20%
	Rural/Village	17%	35%	15%	10%	24%
Internet access	DSL	12%	34%	20%	8%	25%
	Cable	10%	34%	25%	18%	14%
	Optical fibre (FTTx)	10%	31%	20%	29%	9%
	Satellite	20%	46%	13%	8%	14%
	Dongle/USB/Other	21%	38%	11%	10%	20%

3.2.3 Technologies

On average across the EU, more than half of the consumer survey respondents (56%) say that their household accesses the Internet via DSL. Another 20% access the Internet via a cable TV network, while 10% of the respondents in the sample use an optical fibre line. Other access methods are less common (see table below). Connection speeds are generally slower for DSL subscribers, followed by speeds of cable users, whereas speeds achieved by optical fibre prove by far the fastest, which means that the majority of respondents access the Internet at home via a technology whose speed capacities are no longer state-of-the-art.

Reported access via DSL is highest in France, Malta, Greece, Italy and Luxembourg (over 70% in each country), while respondents in Belgium, Hungary and Netherlands are most likely to use a cable TV network (all 43%). Across the EU12, access via a cable TV network is relatively high, while DSL access tends to be relatively low.

Access via an optical fibre line is considerably higher in Romania (44% of respondents) and Lithuania (40%) than in other EU Member States.

Table 8. Method of accessing the Internet, analysis by country

Source: Consumer survey, Q36:
Please provide now some technical details regarding your home Internet connection: How does your household access the Internet from home? (N=27668 for EU27 / 29243 for all countries)

Country	Via ADSL, xDSL or similar	Via cable TV network	Via an optical fibre line	Via dial-up using phone or ISDN line	Via dongle/ USB stick - mobile Internet	Via the satellite network	Other	Don't know
EU27	56%	20%	10%	6%	5%	3%	2%	0%
BE	46%	43%	4%	4%	2%	3%	1%	0%
BG	26%	40%	22%	4%	4%	2%	4%	0%
CZ	39%	25%	16%	3%	4%	8%	8%	1%
DK	41%	29%	11%	5%	11%	4%	4%	2%
DE	68%	13%	4%	10%	4%	2%	0%	0%
EE	34%	29%	10%	10%	10%	3%	5%	1%
IE	42%	24%	7%	8%	12%	8%	4%	1%
EL	73%	6%	7%	10%	3%	3%	0%	0%
ES	65%	11%	12%	6%	3%	3%	1%	0%
FR	78%	11%	4%	5%	1%	1%	1%	0%
IT	73%	5%	8%	5%	6%	2%	2%	0%
CY	56%	19%	2%	14%	2%	1%	0%	5%
LV	36%	22%	22%	7%	4%	3%	7%	1%
LT	20%	17%	40%	13%	7%	4%	3%	0%
LU	73%	9%	7%	10%	2%	0%	1%	0%
HU	41%	43%	6%	1%	4%	4%	3%	0%
MT	77%	17%	0%	1%	1%	0%	0%	3%
NL	42%	43%	8%	3%	2%	2%	1%	0%
AT	46%	21%	6%	11%	18%	2%	3%	1%
PL	32%	40%	7%	7%	6%	5%	5%	0%
PT	35%	32%	20%	4%	9%	3%	2%	0%
RO	19%	26%	44%	6%	5%	2%	1%	0%
SI	42%	28%	20%	5%	3%	2%	1%	0%
SK	37%	19%	20%	4%	7%	9%	6%	0%
FI	43%	19%	9%	6%	27%	2%	4%	1%
SE	40%	23%	19%	4%	13%	3%	2%	1%
UK	52%	25%	9%	8%	2%	4%	1%	0%
IS	63%	2%	24%	2%	3%	0%	0%	5%
NO	38%	32%	18%	4%	5%	4%	3%	1%

Overall there appears to be little difference in the Internet access technologies used by respondents in metropolitan and those residing in urban centres. Both groups are more likely to be connected by optical fibre or cable than rural respondents, who rely more heavily on DSL to access the Internet.

As mentioned, respondents in the EU12 are considerably less likely to rely on DSL for their connection, instead relying more on cable connections and, especially in Bulgaria and Romania, optical fibre.

Table 9. Type of Internet access, analysis by locality

Source: Consumer survey, Q36.
(N=27668 for EU27)

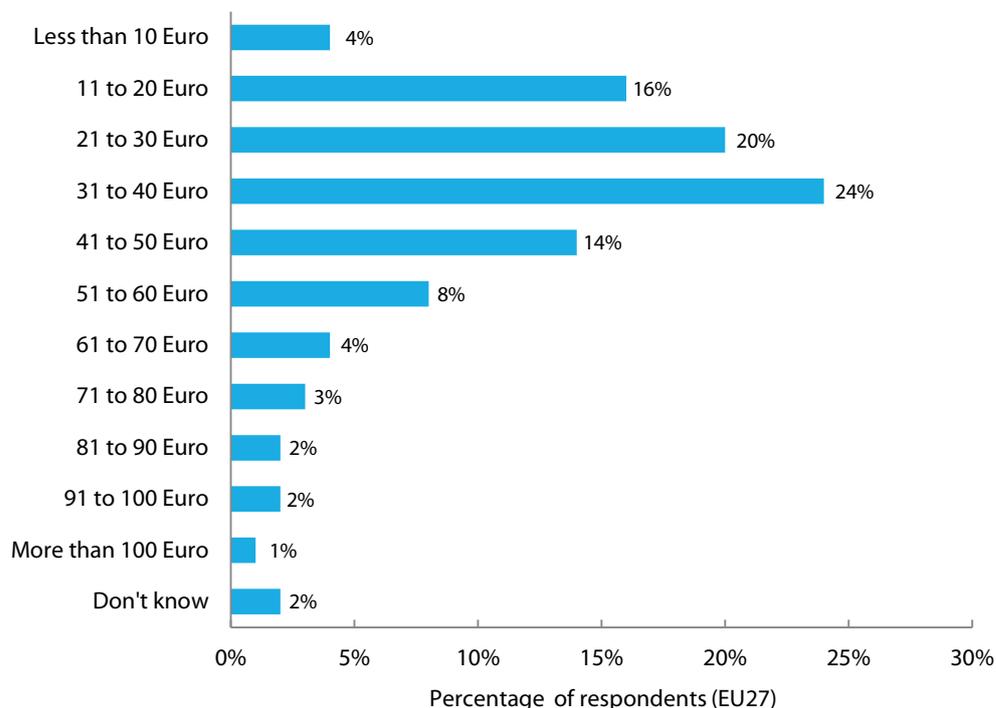
	Sub-sample	Via ADSL, xDSL or similar	Via cable TV network	Via an optical fibre line	Via dial-up using phone /ISDN line	Via dongle/ USB stick – mobile Internet	Via the satellite network
Average	EU27	56%	20%	10%	6%	5%	3%
	EU15	64%	17%	8%	7%	4%	3%
	EU12	32%	34%	19%	6%	5%	4%
Locality	Metropolitan	53%	21%	14%	6%	4%	3%
	Urban centre	52%	24%	12%	6%	4%	3%
	Rural/Village	65%	14%	5%	7%	5%	3%

3.2.4 Prices

On average, consumer survey respondents across the EU spend 36.5 Euro per month on their Internet bundle or standalone Internet access (20.7 Euro for standalone connections, on average, and 38.9 Euro for bundled connections), although there is considerable variation: 20% spend no more than 20 Euro per month, while 20% spend more than 50 Euro per month (see figure below). Three quarters of respondents (74%) pay between 11 and 50 Euro per month, with 44% paying from 21 to 40 Euro.

Figure 5. Average monthly bill

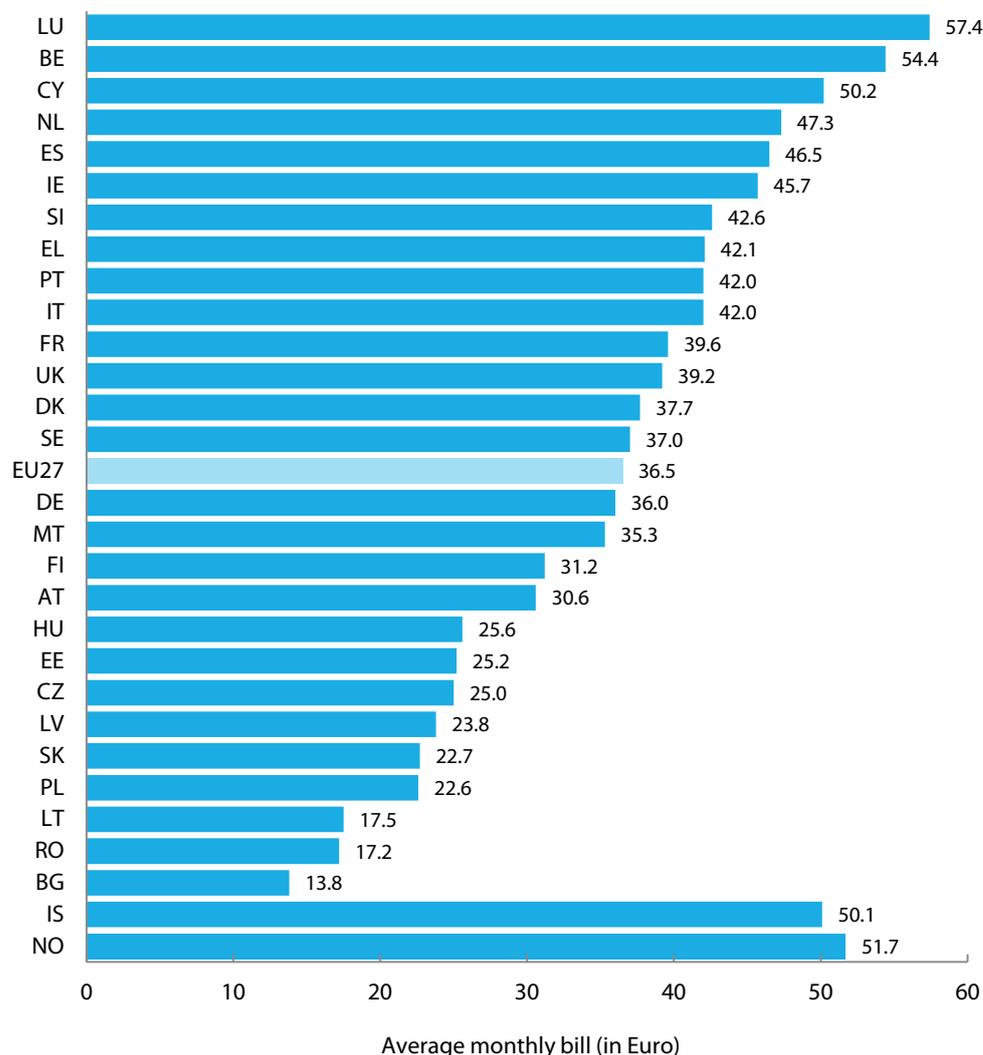
Source: Consumer survey, Q3: How much is your average monthly bill for the package you selected above (or standalone Internet access if that is what you selected)? Note: respondents were asked to include all charges on the bill such as a monthly subscription or rental charge, line rental, and download charges. The sum should also include costs for other services in the package, such as telephony or TV, if applicable. (N=27668)



The highest average monthly bills reported by respondents are in Luxembourg, Belgium, Norway, Iceland, and Cyprus (all with a monthly average of more than 50 Euro), while the lowest are in some of the EU12 Member States, specifically Bulgaria, Romania and Lithuania, where the average is less than 20 Euro per month and a relatively high proportion of respondents pay less than 10 Euro per month (25% pay less than 10 Euro per month in Bulgaria, the highest percentage of any country).

Figure 6. Average monthly bill, analysis by country

Source: Consumer survey, Q3.
(N=27668 for EU27 / 29243 for all countries)



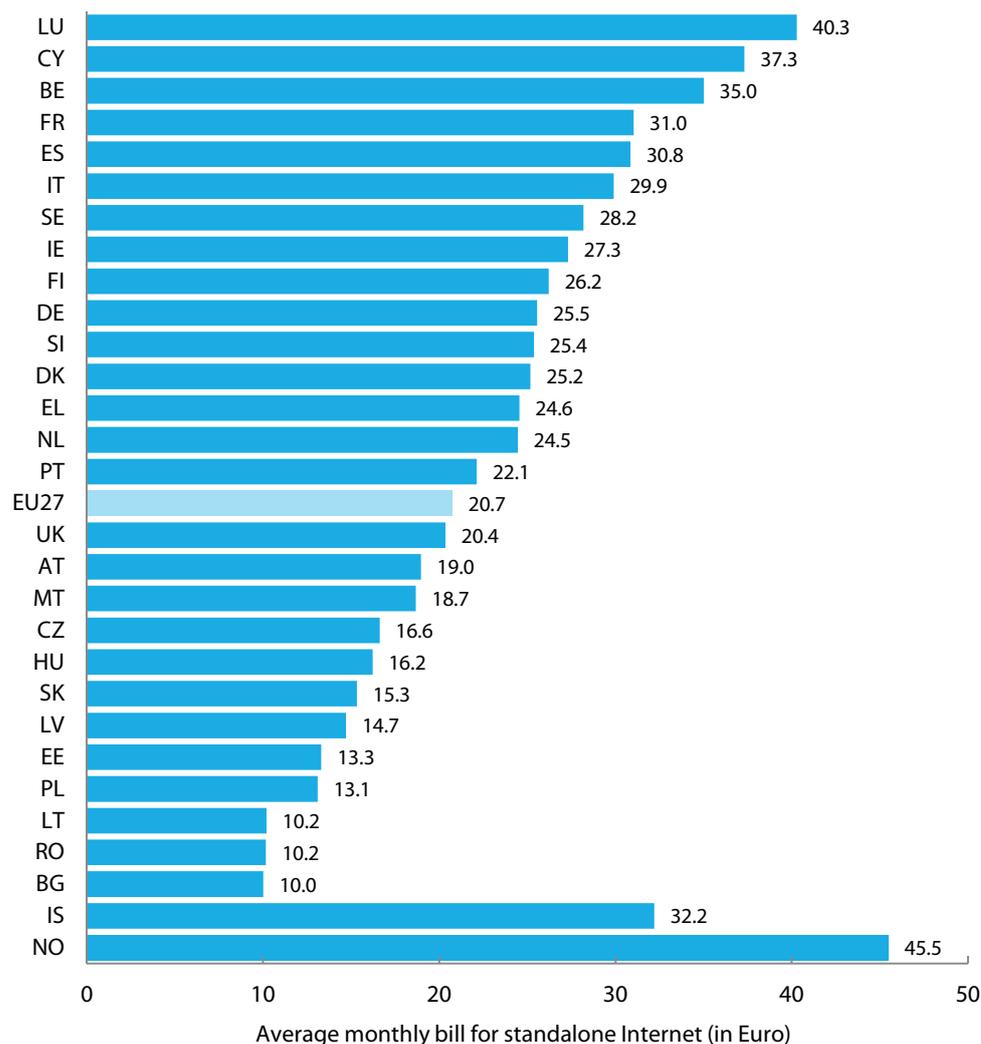
The prices provided in the figure above include both standalone and bundle connections; however, by restricting the sample to those respondents with standalone connections (as done in the next figure), we can arrive at a clearer picture of price differences for nearly identical products, differences in connection speed and download limits notwithstanding. When presented in this manner, the price data still shows significant cross-country differences in average prices paid for standalone connections.

The average price paid by respondents for a standalone Internet connection is highest in Norway, Luxembourg, and Cyprus (45.5, 40.3, and 37.3 Euro per month, respectively), and lowest in Bulgaria, Romania, and Lithuania (10.0, 10.2, and 10.2 Euro per month, respectively). Notably, these three countries, along with Latvia, are the ones in which respondents were most likely to have optical fibre-based Internet connections. Our consumer survey therefore shows significant cross-country differences in reported average prices for standalone Internet service provision *not*

accounted for by differences in connection speed or technologies²⁹ (e.g. respondents in Lithuania and Romania do not pay substantially less per month than respondents in Norway because they are subscribed to fast optical fibre connections at more than double the rate, but rather due to other reasons). Because bundle compositions vary between countries, the comparison of reported average monthly bills is less conclusive for bundles, although similarly high price differentials can be observed.

Figure 7. Average monthly bill for standalone Internet, analysis by country

Source: Consumer survey, Q3.
(N=4016)



Comparing the above figures on standalone prices with those paid by respondents using bundles, makes it clear that standalone Internet access is significantly cheaper, as would logically be expected. On average, respondents across all 29 countries surveyed pay 21.2 Euro per month for standalone access, which is 54% of the average cost of a bundle (39.0 Euro per month).

²⁹ A basic explanatory factor is GDP per capita, because there is a strong correlation (correlation coefficient is 0.69) between the average monthly bills of survey respondents and the GDP per capita of their countries.

Also of note is that respondents subscribed to an incumbent provider report that they pay, on average, 5 Euro more per month for their standalone or bundled Internet connections than those subscribed to new entrant providers.³⁰ Price paid also increases with connection speed (from 31.2 Euro per month for the slowest speed range to 38.8 Euro per month for connection speeds above 30 Mbps).

Table 10. Average monthly bill, analysis by locality, provider, package type, and connection speed

Source: Consumer survey, Q3.
Notes: (a) Excludes 'Don't Know' and those respondents who indicated paying more than 100 Euro. The average monthly bills shown here are for all countries. (N=27668 for EU27)

	Sub-sample	< 10 €	11 - 20 €	21 - 30 €	31 - 40 €	41 - 50 €	51 - 60 €	> 60 €	Avg. € ^(a)
Average	EU27	4%	16%	20%	24%	14%	8%	12%	36.5
	EU15	2%	9%	19%	28%	17%	9%	14%	40.6
	EU12	11%	45%	26%	10%	4%	2%	1%	21.8
Locality	Metropolitan	4%	15%	20%	23%	14%	8%	14%	37.6
	Urban centre	4%	18%	21%	22%	14%	8%	12%	36.1
	Rural/Village	3%	15%	19%	26%	15%	8%	11%	36.7
ISP	Incumbent	2%	11%	17%	24%	19%	10%	14%	40.4
	Others	4%	18%	22%	24%	12%	7%	11%	35.0
Package	Standalone	16%	44%	18%	10%	3%	2%	3%	21.2
	Bundle	2%	12%	21%	26%	16%	9%	13%	39.0
Speed	Up to 2 Mbps	8%	24%	20%	22%	11%	6%	7%	31.2
	> 2 to 12 Mbps	4%	18%	21%	23%	13%	7%	11%	35.7
	>12 to 30 Mbps	2%	11%	19%	25%	16%	10%	12%	39.8
	> 30 Mbps	4%	18%	16%	19%	12%	10%	17%	38.8

As seen in the table above, the consumer survey results do not reveal major differences in the average prices paid by respondents residing in different locality types.³¹ However, many – though not all – interviewed stakeholders reported disparities between urban and rural areas in terms of prices and connection speeds at both national and EU level:

“In general, the evidence tends to suggest that consumers who are located in urban areas tend to benefit from much better conditions in terms of price, quality, and service, when compared to rural populations” (Regulator).

“Consumers in rural areas tend to not have the same degree of choice of provider. And those providers that are available often provide services that are not as good as those services available in urban areas, because of distance from the (telephone) exchange and that sort of thing” (Regulator).

³⁰ This price difference may reflect additional factors, e.g. differences in tariff/package preference between respondents subscribed to incumbent and new entrant providers.

³¹ In this regard, it is important to note that the consumer survey results for average monthly bill reflect respondents' purchasing decisions (i.e. preferences) and not necessarily the cheapest offers available in their localities.

Another consulted stakeholder, from a small country, reported a different view:

“First of all, [my country] is a small country. Therefore, geographical variations are very, very small. There are certain areas covered by fibre networks, certain areas covered predominantly by wireless networks, but generally it’s a very homogenous picture here. Pricing is very similar across the country, and our coverage – regardless of technology, fixed, wireless, or whatever – we have over 99.8% coverage” (Regulator).

Rural availability of broadband is often the result of an agreement between the regulator and one provider, which is generally the incumbent:

“There are few competitors in rural areas. The problem of availability in rural areas is often the fruit of an agreement between local authorities and one operator, in exchange for the big investment they have to make – to reserve them almost an exclusivity of the rural market” (ISP association representing new entrants).

One consumer organisation saw competition and technological infrastructure as having a substantial effect on the choice and price in different localities:

“I think a lot depends on the market. For example, in our country, it’s quite a concentrated market, there’s not so much competition, at least not yet, and we see that depending on where you live in ... you have the choice between two telecom providers. You cannot choose any one which you want” (Consumer organisation).

3.3 KEY FACTORS IN CHOICE OF PROVIDER

This section identifies the factors that, according to the results of our consumer survey, receive priority consideration during the decision-making process linked to choice of provider.

The key findings are that:

1. With respect to the factors that most affect choice of provider, value for money is the reason given by the largest proportion of respondents across the EU (34%), followed by speed of the Internet connection (26%), 'took advantage of a special promotion or offer' (23%), and strong brand recognition of the provider (20%);
2. The importance of special offers or promotions is more evident in the countries in the south of Europe (Greece, Italy, Portugal, and Spain), while respondents in Cyprus, France, and Greece placed emphasis on well-known brands;
3. Since value for money has been found to be a key factor in survey respondents' choice of provider, it is of interest to note that 70% of respondents agree that their current Internet tariff/package constitutes good value for money. However, more than a quarter (26%) of respondents disagrees with this statement.

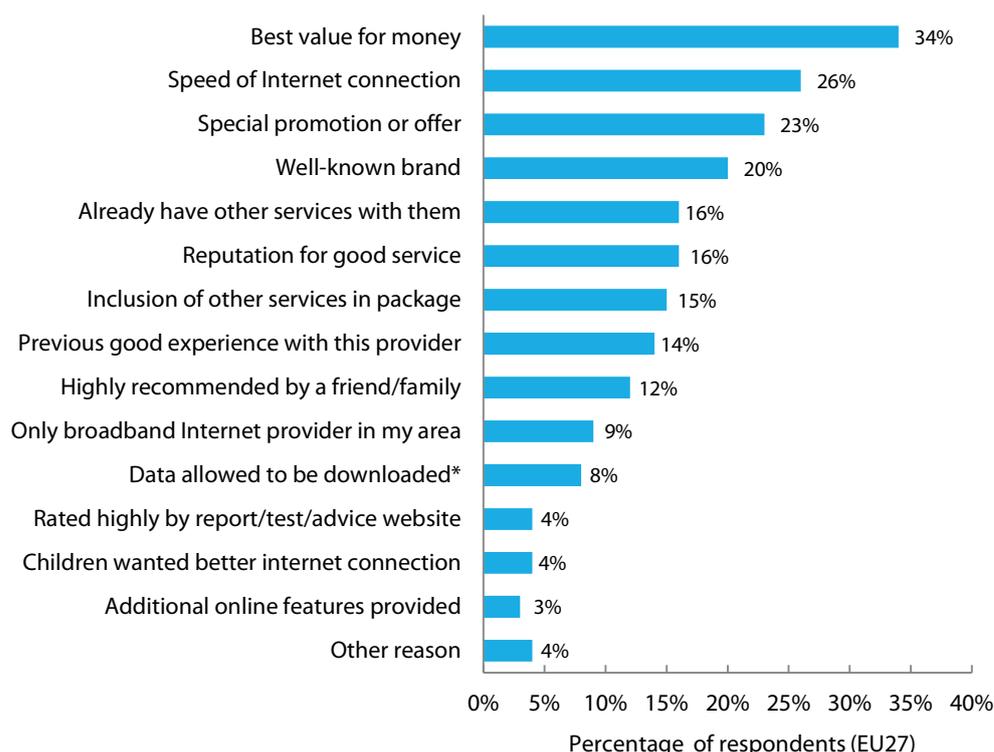
Consumer survey respondents were asked to give up to 3 reasons from a list of 15 possible options (including 'other reason') for choosing their current Internet service provider. As shown in the figure below, value for money is the reason given by the largest proportion of respondents across the EU (34%), followed by speed of the Internet connection (26%). Twenty-three percent say that they took advantage of a special promotion or offer.

The provider's reputation and track record is also an important factor: 20% say they chose their current provider in part because it is a well-known brand, and 16% say their chosen provider has a reputation for providing good service. In addition, 12% say the provider was recommended by friends or family, and 4% that it was rated highly in independent reports, tests, or on advice websites.

Some respondents indicate choosing their providers because of previous experience: 14% say they had previous good experience with the same provider, and 16% already had other services with them.

Figure 8. Main reasons for choosing current Internet provider

Source: Consumer survey, Q24: What were the main reasons for choosing your current Internet service provider? You may give up to three reasons.
Note: * Without extra payment/slower speeds. (N=27668)



The table on the next page shows data on this issue by country. Value for money remains an important factor in most EU Member States. The highest proportions of respondents giving this reason are in Bulgaria (41%) and Austria (40%). Respondents in Bulgaria are also more likely than average to mention speed of Internet connection (39%), as are respondents in other EU12 Member States, especially Lithuania (39%) and Slovakia (37%).

The importance of special offers or promotions is more evident in the countries in the south of Europe (Portugal, Italy, Greece, and Spain), while respondents in Cyprus, France, and Greece placed more emphasis on well-known brands than respondents in other countries.

Table 11. Main reason for choosing current Internet provider, analysis by country

Country	Best value for money	Speed	Special promotion or offer	Well-known brand	Other services with ISP ^(a)	Reputation for good service	Other services in package ^(b)	Good experience with ISP	Recommended by friend/family	Only broadband ISP in area
EU27	34%	26%	23%	20%	16%	16%	15%	14%	12%	9%
BE	29%	26%	31%	26%	22%	13%	20%	13%	9%	7%
BG	41%	39%	31%	13%	15%	23%	22%	14%	16%	3%
CZ	32%	36%	22%	12%	17%	12%	14%	13%	14%	16%
DK	32%	23%	17%	11%	17%	14%	16%	15%	12%	9%
DE	33%	24%	14%	14%	15%	12%	13%	17%	13%	7%
EE	34%	36%	19%	17%	37%	16%	26%	18%	9%	12%
IE	34%	31%	20%	25%	18%	19%	13%	12%	13%	15%
EL	38%	28%	33%	30%	12%	24%	12%	15%	11%	6%
ES	32%	25%	32%	18%	12%	15%	11%	13%	12%	9%
FR	34%	18%	14%	31%	12%	23%	15%	12%	17%	10%
IT	34%	24%	30%	22%	11%	17%	10%	12%	10%	8%
CY	19%	8%	7%	36%	11%	20%	8%	10%	5%	19%
LV	29%	33%	23%	19%	28%	15%	31%	12%	8%	15%
LT	37%	39%	28%	17%	26%	10%	13%	14%	10%	17%
LU	20%	16%	16%	29%	34%	20%	25%	23%	13%	6%
HU	34%	33%	26%	11%	22%	10%	27%	16%	10%	8%
MT	33%	16%	19%	8%	18%	24%	19%	9%	13%	2%
NL	26%	30%	20%	17%	22%	13%	17%	15%	8%	8%
AT	40%	28%	21%	15%	18%	10%	18%	15%	13%	8%
PL	32%	35%	25%	14%	20%	12%	12%	14%	15%	16%

Country	Best value for money	Speed	Special promotion or offer	Well-known brand	Other services with ISP ^(a)	Reputation for good service	Other services in package ^(b)	Good experience with ISP	Recommended by friend/family	Only broadband ISP in area
PT	39%	27%	36%	20%	17%	16%	23%	13%	6%	9%
RO	32%	36%	28%	18%	19%	16%	25%	11%	11%	20%
SI	32%	28%	20%	15%	20%	11%	30%	14%	8%	22%
SK	33%	37%	25%	17%	16%	13%	12%	12%	12%	16%
FI	28%	35%	31%	17%	14%	15%	9%	18%	9%	13%
SE	25%	24%	20%	19%	20%	13%	13%	18%	7%	14%
UK	38%	25%	21%	26%	19%	18%	16%	14%	12%	6%
IS	28%	24%	10%	21%	19%	20%	25%	20%	7%	7%
NO	16%	27%	15%	22%	22%	12%	13%	17%	10%	14%

Source: Consumer survey, Q24. Notes: Table only includes the 10 reasons most frequently given by respondents, (a) e.g. TV or telephony; (b) TV, fixed telephony, mobile telephony, etc. (N=27668 for EU27 / 29242 for all countries)

The next table shows that the pricing considerations 'value for money' and 'special offer' remain consistently important irrespective of the type of Internet access, and become increasingly important as the number of ISPs available to respondents increases. The reputation considerations – 'well-known brand' and 'reputation for good service' – also become increasingly important with increased ISP choice.

Connection speed is more important for respondents accessing the Internet via an optical fibre line (mentioned by 40% of such respondents) than those using other technologies. Optical fibre subscribers' relatively high rate of concern with connection speed is likely tied to the capabilities of the technology: it has the capacity to deliver substantially faster connection speeds than either DSL or cable networks. Thus, many of those consumers who seek out this product are likely interested in realising increased connection speed.

Also notable is that those respondents subscribed to an incumbent provider were more likely to indicate 'well-known brand' as a reason for choosing their provider than those subscribed to a new entrant (29% compared to 16%). In contrast, while 39% of new entrant subscribers identified 'best value for money' as a reason underlying their choice, just 20% of incumbent subscribers did likewise.

In comparison to other ages groups, those in the youngest bracket (15-24) appear relatively less likely to have taken advantage of a special offer and relatively more likely to have been influenced by the recommendation of a friend/family member.

Table 12. Main reason for choosing current Internet provider, analysis by number of ISPs, provider, type of Internet access, and age

	Sub-sample	Best value for money	Speed of connection	Special promotion or offer	Well-known brand	Other services with ISP ^(a)	Reputation for good service	Other services in package ^(b)	Good experience with ISP	Recommended by friend/family
Average	EU27	34%	26%	23%	20%	16%	16%	15%	14%	12%
Number of ISPs	1	22%	19%	20%	17%	13%	11%	11%	12%	10%
	2	32%	25%	22%	17%	15%	14%	13%	12%	11%
	3 +	39%	29%	26%	21%	15%	17%	15%	15%	12%
Provider	Incumbent	20%	24%	19%	29%	22%	18%	14%	17%	9%
	Others	39%	28%	25%	16%	14%	15%	15%	13%	13%
Access	DSL	34%	23%	23%	23%	15%	17%	14%	15%	12%
	Cable	30%	33%	24%	16%	22%	13%	21%	13%	12%
	Optical fibre (FTTx)	34%	40%	24%	15%	12%	16%	16%	11%	12%
	Satellite	33%	22%	17%	16%	10%	15%	10%	11%	14%
	Dongle/USB/Other	37%	25%	27%	18%	16%	12%	8%	16%	11%
Age	15 to 24	30%	29%	19%	20%	13%	17%	13%	11%	15%
	25 to 39	36%	28%	24%	20%	13%	16%	13%	13%	12%
	40 to 54	35%	24%	25%	20%	17%	14%	15%	14%	11%
	55+	31%	26%	22%	21%	20%	17%	17%	17%	12%

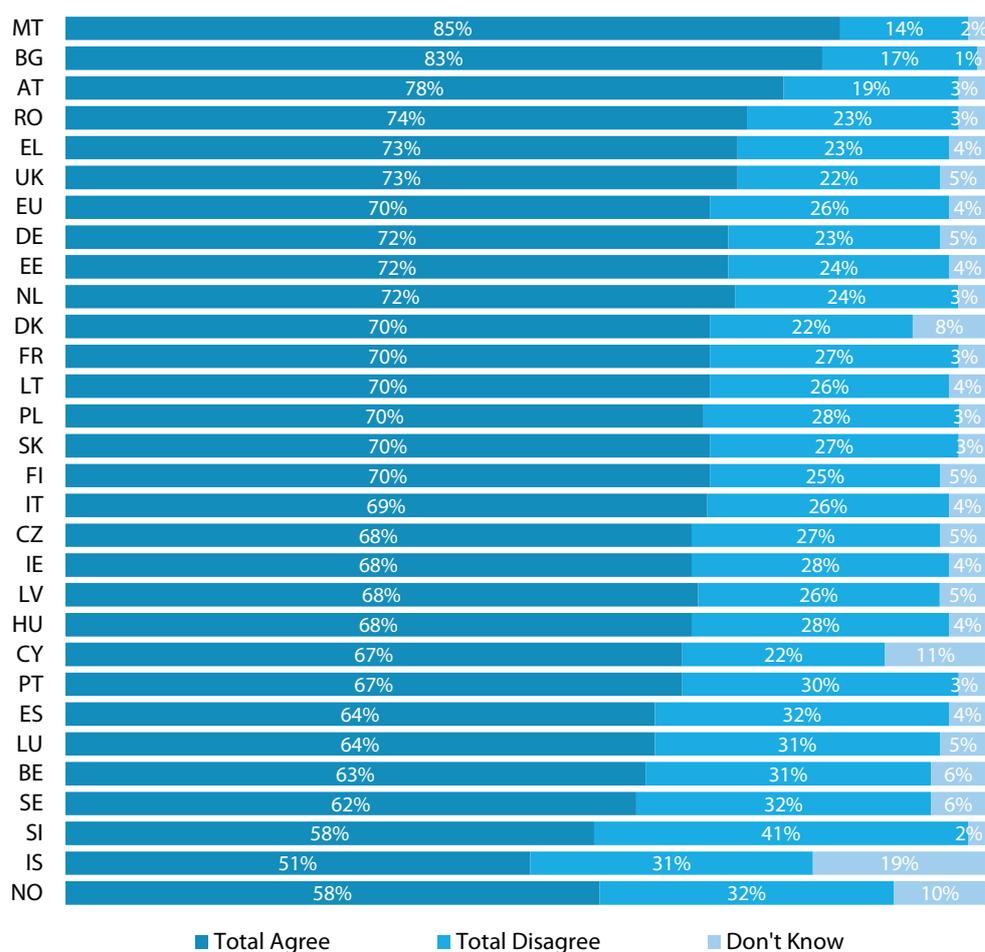
Source: Consumer survey, Q24. Notes: Table only includes answers given by more than 10% of respondents, (a) e.g. TV or telephony, (b) TV, fixed telephony, mobile telephony, etc. (N=27668 for EU27)

Since value for money has been found to be a key factor in consumer survey respondents' choice of provider, it is of interest to note that 70% of respondents agree that their current Internet tariff/package constitutes good value for money (see next figure). However, more than a quarter (26%) of respondents disagree.

Though the figures are similar across many Member States, respondents are most positive in Malta (85% agree they receive good value for money), Bulgaria (83%), and Austria (78%). The highest proportions of negative views are in Slovenia, where 41% disagree (9% above the proportion found in any other country). This finding may be linked to price levels in Slovenia: amongst respondents in all 27 Member States, those in Slovenia reported the seventh highest average monthly bill. Considering only standalone users' bills reveals a similar picture: Cyprus and Slovenia are the only EU12 Member States in which respondents pay more than the EU27 average, and the reported average bill in Slovenia is just 10 Euro cents lower than in Germany.

Figure 9. Response to the statement: 'My Internet tariff/package is good value for money'

Source: Consumer survey, Q25: For each of the following please indicate whether you totally agree, tend to agree, tend to disagree or totally disagree. (N=27668 for EU27 / 29243 for all countries)



A similar picture of consumers' preferences emerges from interviews with stakeholders conducted for this study. In general, price and speed are consumers' top

preferences according to stakeholders, followed by customer service and the availability of other communication services in the Internet package. As one consumer organisation explained, “The average consumer looks at the price [and] speed, and then if there is a bundled offer that might benefit them”.

4 CLARITY OF OFFERS AND CONTRACT TERMS

This section focuses on the clarity of Internet service providers' offers/advertising and contract terms. The assessment of clarity is based on consumer survey data and our evaluation of providers' websites. Additionally, the section presents criteria for the development of clear and transparent offers.

The first sub-section on offer clarity (Section 4.1) looks at the availability and clearness of information on key offer components, including price information.

The development of criteria for clear and transparent offers undertaken in the second sub-section (4.2) is based on the experiences of the participants in the switching exercise.

In the last sub-section (4.3), we review the clarity of contract terms.

4.1 CLARITY AND AVAILABILITY OF INFORMATION ON KEY OFFER COMPONENTS

Presentation of collected data on offer clarity proceeds in three steps. First, we describe regulatory and self-regulatory rules regarding transparency of offers in place in the Member States, plus Norway. Then the consumer survey data is analysed and compared with the results of the evaluation of provider websites. Subsequently, mystery shoppers' experiences in searching for information on several key offer components are presented in detail.

The key findings of this section are that:

1. Survey respondents indicated that information is relatively clearest in relation to contract duration and monthly price; connection speed and the inclusion of other services in the package are also aspects generally perceived as clear;
2. Clarity of information is lowest in relation to the blocking or slowing down of certain Internet services, additional costs (e.g. activation/installation and termination fees) and the use of personal data or bank details by the provider;
3. Respondents who have considered switching their Internet service provider (but have not actually done so) give consistently lower ratings than either those who have actually switched or those who have not considered switching. This suggests that people who are thinking about switching provider may not switch because they feel they are not getting clear information about different offers;

4. Mystery shoppers reported that 67% of scrutinised ISPs provide clear information regarding the offers on their website (41% fairly clear, 26% very clear); the remainder provide unclear (25%) or not at all clear (8%) information;
5. Mystery shoppers assessed 61% of ISP websites as providing clear and understandable price information; the mystery shoppers found less than two-thirds (64%) of the websites useful in allowing them to make an informed choice.

4.1.1 Regulatory and self-regulatory rules regarding transparency of offers

Regulatory and self-regulatory rules regarding offer transparency have been implemented in multiple EU Member States, as well as Norway (see Table 13 below).³² Such rules, and their absence in some countries, were identified by national regulatory authorities in response to a stakeholder survey question.

³² Regulation is broadly defined as imposition of rules by government, backed by the use of penalties that are intended specifically to modify the economic behaviour of individuals and firms in the private sector (source: OECD). Self-regulation is an approach in which an industry, occupational group or profession imposes requirements on itself. In essence, rules are developed, administered and enforced by the people whose behaviour is to be governed, or by their direct representatives. Typically, such rules are set out in a code of practice and are used to promote ethical conduct, professional standards and fair trading, as well as providing a mechanism for administering complaints (source: Department for Business Innovation & Skills, United Kingdom).

Table 13. Existence of specific regulatory or self-regulatory rules regarding transparency of offers

Source: Civic Consulting survey of national regulatory authorities, Q11: Are there any specific regulatory or self-regulatory rules regarding transparency of offers? Notes: (a) minimal offered and minimal guaranteed quality of services; (b): If the performance is lower than the promised one and the operator does not improve it in the 30 days after the claim, the user may terminate the contract without paying penalties; (c) This refers to the published position on the transparency of contracts for the provision of telecommunications services, which are a set of guidelines and guidance on the measures necessary to ensure the readability of contracts for the provision of telecommunications services; (d) the information provided must be adequate, transparent, comparable and up-to-date as specified in the Electronic Communications Law and by ANACOM and especially detailed with respect to applicable prices and charges (see also the provisions set forth in ICP-ANACOM's deliberation of December 2008 regarding Guidelines on minimum content to be included in electronic communications contracts); (e): especially when it caused or is likely to cause the consumer to choose differently from what he would have otherwise chosen. (N=22)

Country	Regulatory authority	Existence of rules on offer transparency	Comments
BE	BIPT	Regulatory rules	ISP must enter the details of their service plans into a database used by the BIPT's tariff simulator.
BG	Communications Regulation Commission	Regulatory rules	ISP must follow general principle of transparency.
CZ	Czech Telecommunication Office (CTO)	Regulatory rules	ISP must provide the information required by the Electronic Communications Act. ^(a)
EE	Estonian Competition Authority	Regulatory and self-regulatory rules	Electronic Communications stipulates "mandatory terms and conditions of communications services contract".
IE	The Commission for Communications Regulation	Regulatory rules	Regulation 15 of SI 337 of 2011.
EL	National Telecommunications and Post Commission	No	
FR	Autorité de régulation des communications électroniques et des postes (ARCEP)	Regulatory and self-regulatory rules	No comment.
IT	AGCOM - Autorità per le garanzie nelle Comunicazioni	Regulatory rules	ISP must publish online the throughput and latency for each offer. ³³ Internet performance can then be verified by the users via software provided by Agcom. ^(b)
LV	Republic of Latvia Public Utilities Commission	No	
LT	Communications Regulatory Authority	Regulatory rules	ISP must post on its website a typical Internet service provision contract.
HU	National Media and Infocommunications Authority	Regulatory and self-regulatory rules	Regulatory authority provides comparison.
MT	Malta Communications Authority	Regulatory rules	ISP must provide information specified under the EU framework according to the manner specified by law.
NL	OPTA	No	
AT	RTR-GmbH	Regulatory rules	Consumer Protection Act and Telecommunications Act.
PL	Office of Electronic Communications	Regulatory rules	Telecommunication Act and statement by the president of Competition & Consumer Protection Authority. ^(c)
PT	Autoridade Nacional de Comunicações (ANACOM)	Regulatory rules	ISP must make available to the public information on conditions regarding access to and use of the services. ^(d)
RO	National Authority for Management and Regulation in Communications	Regulatory rules	Information regarding terms of ISPs' offers are available on a website managed by ANCOM and information on the contract concluded is provided via itemized bills.
SI	APEK	Regulatory rules	No comment provided.
SK	Telecommunications regulatory authority	Regulatory rules	ISP must provide publicly available set of information regarding its services (general authorization).

³³ In this context, throughput refers to the actual speeds delivered to consumers over a broadband connection (generally to the download speed), and it is usually measured in Megabits per second. Latency is defined as the time required for a single data packet to travel from a user's computer to a third-party server and back.

SE	Swedish Post and Telecom Agency	Regulatory and self-regulatory rules	Secondary legislation and industry code of conduct apply for how the ISPs should display information.
UK	Ofcom	Regulatory rules	ISP subject to both sector-specific and general consumer protection regulations. It must offer a transparent contract, and it is prohibited from unfair trade/misleading conduct. ^(e)
NO	NPT	Self-regulatory rules only	Users can compare prices and plans offered by different ISPs on a website operated by the NPT.

The above table indicates that the majority of countries for which we received survey responses from national regulatory authorities currently have regulatory rules regarding offer transparency in place (14 countries). In an additional four countries (Estonia, France, Hungary, and Sweden), a mix of regulatory and self-regulatory rules is employed. In a single country, Norway, only self-regulatory rules are relevant. Finally, in three countries (Greece, Latvia, and the Netherlands), regulatory authorities reported no such rules, either regulatory or self-regulatory in nature.

In countries for which regulatory authorities reported the existence of regulatory or self-regulatory rules regarding offer transparency, the rules embody different levels of specificity. For example, in Bulgaria, a regulatory rule obliges ISPs to follow the general principle of transparency; whereas in Lithuania, ISPs must include the template for a typical Internet service provision contract on their websites; and in Italy, providers are required to provide information on connection speeds, which can subsequently be checked by their subscribers using software provided by the regulatory authority. An example of self-regulatory rules is provided by Sweden, where an industry code of conduct outlines the way in which ISPs should present information.

4.1.2 Information clarity when comparing offers

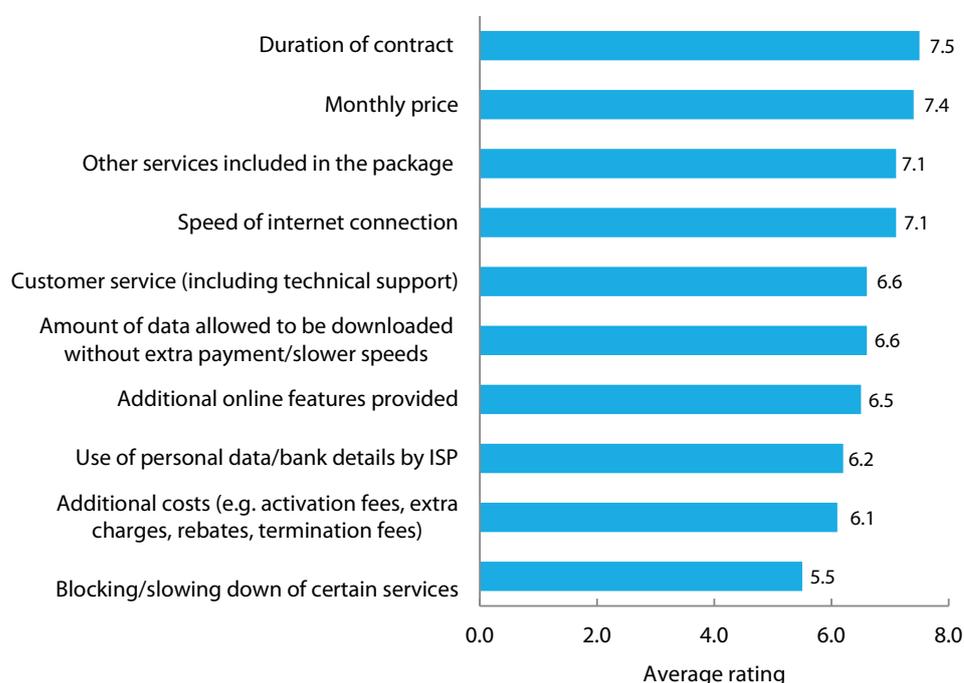
We now turn to the consumer survey results on the clarity of information related to various offer components. In the consumer survey, the sub-sample of respondents that had compared different offers in the last 12 months was asked how clear it found the information on various different aspects of the offers. Respondents rated each aspect on a scale from 0 (not at all clear) to 10 (very clear).

As indicated in the figure below, across the EU, the highest average rating provided by respondents across the EU is 7.5, while the lowest is 5.5. Information is most likely to be seen as relatively clear in relation to contract duration and monthly price. The connection speed and other services included in the package are also aspects generally perceived as clear by respondents.

Ratings are lowest in relation to information on the blocking or slowing down of certain Internet services. Additional costs (e.g. activation/installation or termination fees) and the use of personal data or bank details by the provider are the other aspects for which the clarity of information is rated lower.

Figure 10. Clarity of information when comparing offers

Source: Consumer survey, Q20: When you last compared offers from Internet service providers, how clear was the information provided on each of the following aspects? Please consider each item below, and rank how clear it was from 0 (Not at all clear) to 10 (Very clear). (N=17254 for EU27)



The responses exhibit some geographical variation. Ratings on contract duration are highest in Lithuania, Poland, Hungary, and Finland, and are lowest in Italy, Norway, and Iceland.

Ratings on monthly price information are highest in Lithuania, but also high in the Czech Republic, Estonia, Cyprus, Romania, and Finland. The lowest ratings are in Denmark, Spain, and Iceland.

Respondents in Cyprus, Lithuania, the Czech Republic, Romania, and Slovenia give the highest ratings for information about connection speed, with ratings lowest in Luxembourg and Iceland. Respondents in Luxembourg and Iceland also give relatively low ratings on other services included in the package, along with those in Denmark and Norway, while the highest ratings on 'other services' are found in Malta, Hungary, and Romania.

In relation to the amount of data that can be downloaded without extra payment or decreased connection speeds, ratings are considerably higher in Lithuania than elsewhere, while those in France, Luxembourg, and Portugal give the lowest ratings.

On each of the other five aspects, ratings are lowest in Luxembourg and Iceland. The highest ratings are seen in Malta and Cyprus, in relation to customer service; in Germany, Cyprus, Hungary and UK, in relation to additional online features; in Malta and Germany, for use of personal data/bank details; in Poland, Germany, and UK, for additional costs; and in Cyprus in relation to blocking or slowing down of certain Internet services.

Regionally, there is a tendency for ratings on the clarity of information provided by ISPs to be higher in the EU12, particularly for information about contract duration, monthly price, connection speed, and other services provided. In contrast, ratings tend to be relatively low in countries in the south of Europe (Greece, Italy, Portugal, and Spain). For example, the average ratings across these four countries for contract duration, monthly price, and Internet connection speed are all 6.8, while the EU27 average ratings for contract duration, monthly price, and connection speed are 7.5, 7.4 and 7.1, respectively.

Also interesting are differences in responses according to the respondents' age group and Internet usage attributes.

Respondents with fast connection speeds tend to give consistently higher ratings on the clarity of information than those with slower speeds. Ratings for duration of contract and monthly price are higher among those respondents with standalone access, compared with those subscribed to a bundle. However, those with a bundle give slightly higher ratings than those with standalone access on more specific aspects: the blocking or slowing down of certain services and the use of personal data or bank details.

Respondents who have considered switching their Internet service provider (but have not actually done so) give consistently lower ratings on the clarity of information than either those who have actually switched or those who have not considered switching. This suggests that people who are thinking about switching provider may fail to make a switch because they feel they are not getting clear information about different offers.

Respondents who were identified through the consumer survey as proficient in terms of their understanding of key Internet service parameters tend to give higher ratings than those who were classified as not proficient.³⁴

Lastly, there are noticeable differences by age group, as older respondents (aged 55 or over) give lower ratings than younger respondents for customer services, other services in package and blocking/slowing down of certain services.

³⁴ Respondents were identified as 'Internet proficient' if they provided the correct response for two questions in the consumer survey, which asked, respectively, for the correct meaning of the term 'Mbps' and the relationship between the download and upload speed of consumer-oriented DSL connections. The highest incidence of proficient respondents was found in Luxembourg, but even in that country less than half of respondents answered both screener questions correctly (48%).

Table 14. Clarity of information when comparing offers, analysis by switching behaviour, Internet proficiency, package type, and speed

	Sub-sample	Duration of contract	Monthly price	Speed of Internet connection	Other services in package ^(a)	Amount allowed to be downloaded ^(b)	Customer service (incl. technical support)	Additional online features ^(c)	Use of personal data/bank info by ISP	Additional costs ^(d)	Blocking/slowing down of services ^(e)
Average	EU27	7.5	7.4	7.1	7.1	6.6	6.6	6.5	6.2	6.1	5.5
	EU15	7.3	7.3	7.0	7.0	6.4	6.5	6.5	6.2	6.0	5.4
	EU12	8.2	8.0	7.6	7.4	6.9	6.8	6.4	6.1	6.4	5.6
Switching behaviour	Switchers	7.7	7.7	7.5	7.4	7.0	7.1	6.9	6.6	6.6	6.0
	Considerers	7.2	7.1	6.7	6.9	6.1	6.1	6.1	5.7	5.5	5.0
	Non-Switchers	7.7	7.6	7.3	7.1	6.5	6.6	6.6	6.2	6.1	5.4
Internet proficiency	Proficient	7.7	7.7	7.3	7.4	6.9	6.6	6.8	6.0	6.3	5.4
	Not Proficient	7.4	7.3	7.1	7.0	6.4	6.6	6.4	6.2	6.0	5.5
Package	Standalone	7.9	8.0	7.2	7.0	6.7	6.5	6.3	5.9	6.2	5.2
	Bundle	7.4	7.4	7.1	7.1	6.5	6.6	6.5	6.2	6.1	5.5
Speed	Up to 2 Mbps	7.3	7.1	6.6	6.8	6.3	6.3	6.3	6.1	5.9	5.3
	>2 to 12 Mbps	7.4	7.3	7.0	7.1	6.4	6.5	6.4	6.1	6.0	5.4
	>12 to 30 Mbps	7.7	7.8	7.4	7.4	6.8	6.8	6.8	6.3	6.4	5.6
	> 30 Mbps	7.9	7.7	7.6	7.5	6.9	7.0	6.9	6.4	6.3	5.7
Age	15 to 24	7.3	7.3	7.1	7.3	6.5	6.6	6.5	6.2	6.1	5.7
	25 to 39	7.4	7.4	7.2	7.3	6.6	6.7	6.5	6.2	6.1	5.5
	40 to 54	7.6	7.5	7.1	7.1	6.6	6.5	6.5	6.2	6.0	5.4
	55 +	7.6	7.5	7.0	6.9	6.7	6.2	6.5	6.2	6.0	5.2

Source: Consumer survey, Q20. Notes: (a) TV, fixed telephony, mobile telephony, etc.; (b) without extra payment/s lower speed; (c) email/online storage/personal website/etc.; (d) activation fees, extra charges, rebates, termination fees, etc.; (e) e.g. video streaming, Internet telephony, etc. (N=17254 for EU27).

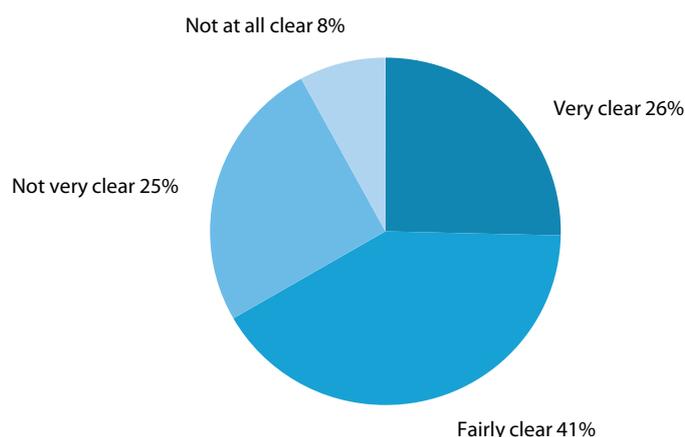
4.1.3 Availability of clear and easy to find information on providers' websites

The evaluation of provider websites offers complementary findings on the availability and clarity of information regarding key offer components on ISP websites. During the evaluation, mystery shoppers assessed the transparency of a prominently advertised offer on each provider's website, and then searched for pre-defined products, using the ISP's search-by-location function, if available. The results of this evaluation exercise generally support survey respondents' answers with respect to the offer components for which information is relatively clear or unclear.

Following their assessment of a prominently advertised offer on an ISP's website, the mystery shoppers reported that two-thirds of the ISPs provide clear information regarding the offers on their website (26% very clear, 41% fairly clear). However, the mystery shoppers still deemed one third of ISPs as providing unclear information (not very clear 25%, not at all clear 8%).

Figure 11. *Transparency of ISP website – Overall, how clear did you find the information regarding this offer on the ISP website?*

Source: Civic Consulting website evaluation, Question ISP26. (N=264)



Analysis of their comments suggests that mystery shoppers tended to rate the ISPs positively when they saw that most of the relevant information was provided and that this was presented in a fairly clear manner. It was important for the mystery shoppers scrutinising the websites that information was concisely listed in one place.

In addition to assessing the overall clarity of a prominently advertised offer on each ISP website, mystery shoppers also assessed the clarity of individual offer features (see the detailed results for these individual components in the sub-sections below). Because the list of offer components is similar to the one that consumer survey respondents were provided with when asked to assess the relative clarity of offer components, comparisons can be drawn.

Across the EU27, consumer survey respondents identified contract duration, monthly price, and connection speed as the three features for which information was clearest

when they last compared offers. Similarly, mystery shoppers found that information regarding the monthly price and download speed of offers was 'clear and easy to find' on the highest percentage of evaluated ISP websites (86% and 88%, respectively).

Notably though, whereas consumer survey respondents found information on contract duration most clear in relative terms, mystery shoppers easily located clear information regarding contract duration on just 47% of evaluated ISPs.

Consumer survey respondents assessed 'blocking/slowing down of certain services' as the offer component for which information was, on average, least clear. Mystery shoppers' assessments confirm the unavailability of information on this issue, both in relative and absolute terms: not only was such information available on the lowest percentage of ISP websites relative to other offer features, it was clear and easy to find on just 2% of evaluated websites.

Consumer survey respondents also regarded 'additional costs', including activation/installation costs, termination fees, and extra charges/rebates, as a relatively unclear aspect of offers. Though mystery shoppers were asked to consider additional costs separately (i.e. as activation/installation costs, termination fees, and additional costs/rebates), their findings for all three items suggest that relevant information is indeed often not available on ISP websites: just 9% of the websites clearly presented information on termination fees in an easy-to-find area; only 43% did so for additional costs/rebates; and only slightly more than half clearly presented information on installation costs.

These consumer survey and website evaluation findings on the relatively unclear and least available (on provider websites) offer components were broadly confirmed by participants in the switching exercise carried out in six countries. That exercise also found information provided by ISPs on connection speed and monthly price relatively clear, but the participants in the switching exercise deemed information on additional costs, use of personal data, and blocking/throttling of services to be less clear, substantially so for the latter two items.

To expand on the findings presented in the table above, we include the experiences of both mystery shoppers and participants in the switching exercise in the following sub-sections. These sub-sections offer additional details of consumers' experiences searching for information on specific offer components, whether in a controlled environment (the evaluation of provider websites) or real life (the switching exercise). In order, the subsections on clarity of information in offers are:

- ▶ Technical aspects, including connection speeds, download limit, and blocking/ throttling of connections;
- ▶ Price information, including the standard monthly price, activation/ installation costs, and additional costs/ rebates;
- ▶ Contractual aspects, specifically contract duration and termination fees; and

- ▶ Other aspects, which include the availability of a customer service hotline or additional online features.

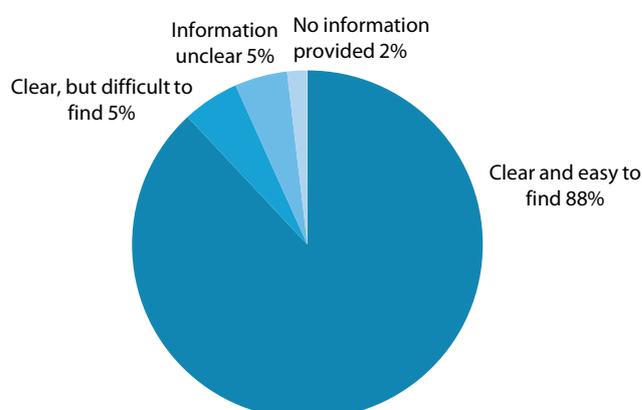
Technical aspects

Download speed

The website evaluation exercise found that download speeds were generally provided clearly and visibly (88% of websites). Only 2% did not provide any relevant information (see following figure).

Figure 12. Transparency of ISP website – Download speed

Source: Civic Consulting website evaluation, Question ISP11. (N=268)



However, participants in our switching exercise in the UK and Spain pointed out shortcomings related to connection speed clarity. For example, some expressed their frustration concerning the difference between the advertised speed and the speed that they may actually receive, as illustrated in the following comment:

"It always says, 'Up to' and it depends on where you are as to what speed you're going to get. So it's, you know, it could be up to [X Mbps] but in your area it could only actually be five" (one participant in the United Kingdom).

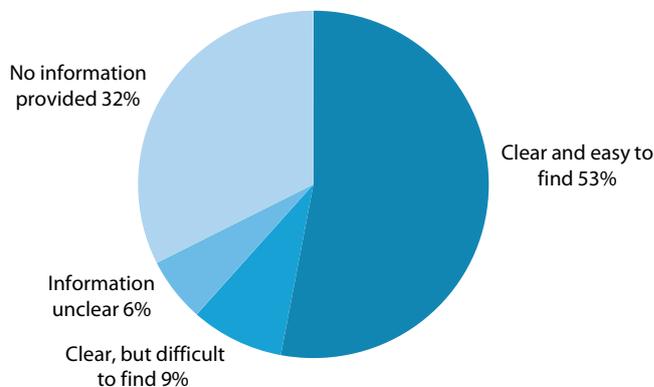
Additionally, one switcher in the UK paid for a fast connection (up to 20 Mbps) only to receive a self-reported speed of 1.3 Mbps.

Upload speed

On just over half of ISP websites (53%) the upload speed was clear and easy to find, according to the website evaluation exercise. One third of ISPs provided no information on the offer's upload speed (32%). On a further 9% of websites the information was clear, but difficult to find, while on 6% of websites the information relating to the offer's upload speed was unclear.

Figure 13. *Transparency of ISP website – Upload speed*

Source: Civic Consulting website evaluation, Question ISP12. (N=268)



Switching exercise participants in Bulgaria, Germany, and Poland reported that most offers they reviewed did not mention the upload speed. For example, one participant in Bulgaria was particularly interested in information on upload speed as he wished to upload a lot of data, but he did not find clear information about upload speed in the offers reviewed.

Download limit

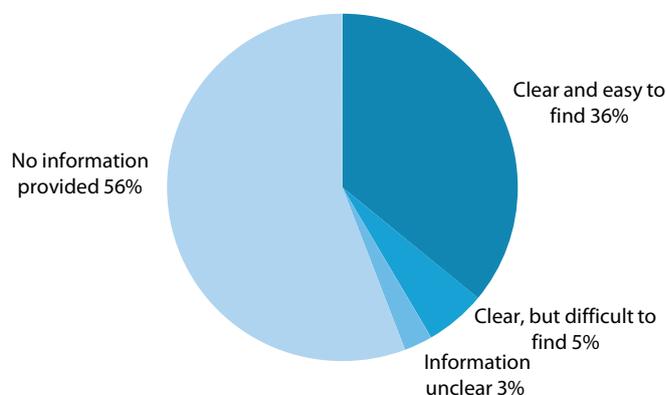
The website evaluation exercise found offers' download limits or monthly download allowances less frequently provided than their upload speeds. On 56% of websites there was no information offered about the download limit, though in some cases this may reflect the absence of an applicable allowance. That is, some ISP websites may not have provided this information simply because there was no relevant limit for the assessed offer (i.e. the offer was for unlimited access). This is confirmed by the data provided in the BIAC database,³⁵ which shows that offers for unlimited access represent the vast majority of ISPs' offers in the EU (88% of offers).

Just over a third of ISP websites did provide information on the download limit in a way which was clear and easy to find (36%), whereas on others the information was unclear (3%) or difficult to find (5%).

³⁵ The BIAC database is the most complete available dataset on prices offered by ISPs. It provides price data for a total of 3,214 offers from those ISPs that provide broadband services to 90% of consumers with Internet access in each of the 29 domestic markets relevant for the study (see Section 6.5).

Figure 14. *Transparency of ISP website – Download limit/monthly download allowance*

Source: Civic Consulting website evaluation, Question ISP13. (N=267)



Similarly, although switching participants generally perceived information on download limits as clear, some indicated that information on download limits was not always clearly indicated in offers from ISPs.

In the United Kingdom, for example, some individuals struggled to understand the difference between download speeds and download limits, as shown by this exchange from the focus group discussion:

"I've heard different stories from various people. Some people are saying, 'Well yes, you can have 100 meg', but that's your usage for the month, not the speed you're getting it through your line."

"I thought 100 meg was speed?"

"It's more that, 'meg' is speed and gigabytes are usage."

"Yes, I mean, I haven't got a usage parameter on mine."

"You might have one. It might say unlimited."

"It goes back to my point about the fact that unless they talk through it with you, you wouldn't know."

When the download limits are not well understood or cannot be monitored, customers may overpay, as illustrated by the comment of a UK switcher:

"I would always go for unlimited, because I don't know what we use and I wouldn't even know where to start to understand what we use, so we'd always do unlimited." (One participant in the switching exercise in the United Kingdom)

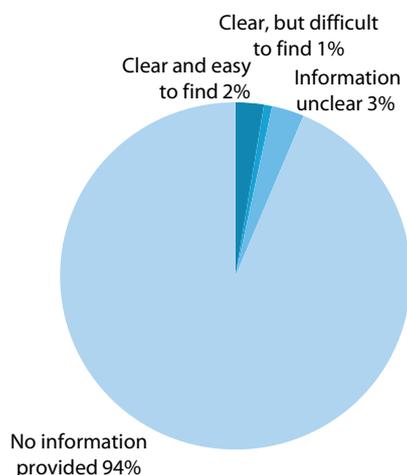
To a degree, 'fair download limits' were accepted by UK switching exercise participants. For those who do not download much or ever exceed any limits, this is not a high area of concern and they do not tend to check the details.

Blocking/throttling of specific sites or services

Mystery shoppers determined that 94% of evaluated ISP sites provided no information about the blocking or throttling of services. On just 2% of websites was this information clear and easy to find.

Figure 15. Transparency of ISP website – Blocking/throttling of specific websites/services

Source: Civic Consulting website evaluation, Question ISP14. (N=268)



One example of a clear explanation of blocking/throttling was given by a Maltese ISP, which explained that *'we reserve the right to reduce, suspend or terminate your service or restrict certain type of traffic on your service'*. Another ISP, from Slovakia, also explained that it might reduce service provision under certain circumstances: *'... has the right to take measures for the temporary reduction or suspension of the service subscriber'*. On the whole, however, such concise information was rare.

The rarity with which the evaluated ISP websites provided information on the blocking or throttling of services cannot reliably be interpreted to mean that the vast majority of providers do apply blocking or throttling policies. This is because those providers that do not engage in such traffic management may have no cause to provide information on this topic. On this point, a recent study on traffic management conducted by the Body of European Regulators for Electronic Communications (BEREC) is informative. BEREC's research,³⁶ based on responses submitted by 266 fixed-network providers (i.e. non-mobile providers), found that just 49 (or 18%) applied some level of restriction (blocked or throttled) on peer-to-peer traffic,³⁷ while just 2 did so for VoIP traffic and 10 did so for 'other specific traffic'. Other research has suggested that throttling may be more common: in the UK, Ofcom

³⁶ BEREC (2012). 'A view of traffic management and other practices resulting in restrictions to the open Internet in Europe: Findings from BEREC's and the European Commission's joint investigation.' BoR (12) 30. Available at: http://berec.europa.eu/eng/document_register/subject_matter/berec/reports/45-berec-findings-on-traffic-management-practices-in-europe.

³⁷ In 96% of cases these restrictions were technically, rather than contractually, enforced, and in 40 of the 49 cases the restrictions applied to all of an ISP's users, not just to a select group.

has reported that "all fixed ISPs use some form of traffic management", with most employing it in a minimal manner to restrict the behaviour of a small minority of heavy users.³⁸

Price information

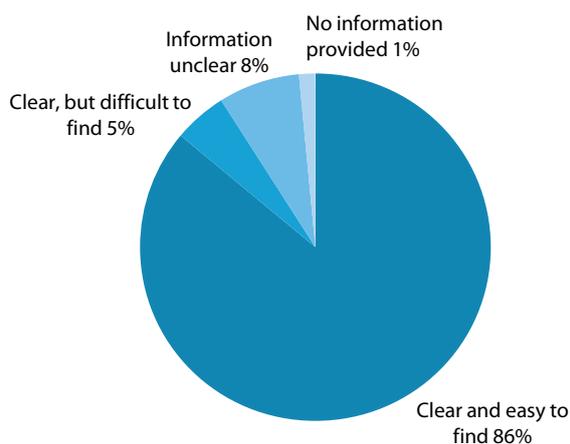
Standard monthly price

On 86% of ISP websites the mystery shoppers easily found the standard monthly price of the prominently advertised offer they assessed. Information was unclear (8%), difficult to locate (5%), or not provided (1%) on a small minority of sites.

One reason for lack of monthly price clarity cited by mystery shoppers was that one could not always determine if the stated price would increase after a certain period of time (e.g. several months) or if there were any additional, unlisted costs. Another issue was the use of ambiguous language, e.g. listing prices as 'from' a certain amount per month. Offer-page prices were sometimes contradicted elsewhere on the site.

Figure 16. Transparency of ISP website – Standard monthly price

Source: Civic Consulting website evaluation, Question ISP15. (N=266)



Monthly subscription prices were also sometimes seen as misleading by switching exercise participants. This was the case when headline prices differed from the actual price paid by the customer (after including line rental or upfront charges). For example, one UK switcher reported a provider that advertised monthly broadband prices at 3.25 British Pounds. However, users had to pay for line rental at a further cost of 12 British Pounds. The advertised price was therefore not achievable as an isolated cost.

³⁸ Klein, J., Freeman, J., Morland, R., and Revell, S. (2011). 'Traffic management and quality of experience', Technologia, Version 1. Document prepared for Ofcom.

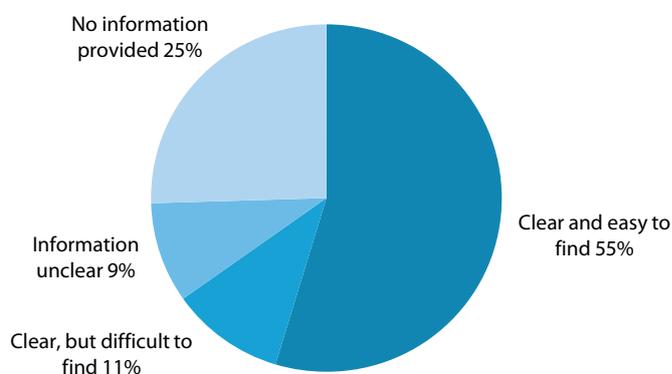
Similarly, switching exercise participants in Bulgaria reported that offers do not always clearly state that the subscription price may be raised after a promotional period. Additionally, some offers in Bulgaria did not mention that specific conditions are applicable only for contracts of a minimum duration. For example, when participants asked to have a contract with no minimum duration, they were offered less attractive tariffs, such as a lower speed at a higher price. Scepticism was also expressed by participants in Bulgaria concerning low prices, which were seen as a possible sign for a low quality of service. For example, an offer of 3 Euro per month was quoted, but none of the participants chose such an offer as it seemed "too good to be true".

Activation or installation costs

Mystery shoppers were able to easily find clear information on activation/ installation costs on 55% of ISP websites, though fully one quarter (25%) of the websites provided no relevant information. Additionally, unclear information was given on 9% of the websites, and on 11% of the websites relevant information was clear but difficult to locate.

Figure 17. Transparency of ISP website – Activation costs/ installation costs

Source: Civic Consulting website evaluation, Question ISP17. (N=267)



On some ISP websites these costs were not mentioned specifically on the offer page. This applied, for example, to one French ISP website, where the mystery shopper knew from careful study of other parts of the same website that activation costs did apply.

On other ISP websites the problem was related to confusing information on installation fees. One ISP, for example, claimed at the top of the advertised offer page that installation was free, but lower down on the page listed the various installation fees that were applicable, depending on the length of contract. Installation was free for those who subscribed to a two-year contract.

One Austrian ISP indicated that there would be no connection charge for people who wished to install the service themselves, 'if self-installation is technically possible', with no indication of what preconditions were necessary. Another ISP indicated that the first 200 meters of optical fibre cable necessary for installation were free, but did not explain how much cable is typically required.

On other websites it was mentioned that additional costs applied, but they were not specified. For example, an Irish ISP mentioned that those who did not wish to install the service themselves would pay a fee, but did not clarify the amount.

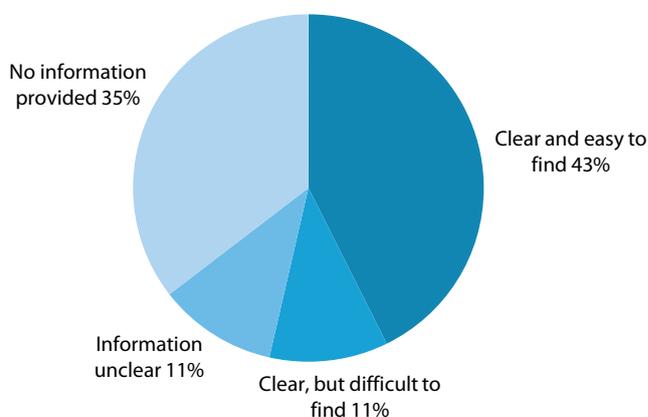
Spanish switching exercise participants found that information on additional costs is usually only given verbally or in the contract; they also encountered many offers (7 of the 10 offers from 9 providers) which did not include the Value Added Tax (VAT).

Additional costs and rebates

Just over half of the evaluated ISP websites (54%) provided clear information on additional costs/rebates, although this was not always easy for the mystery shoppers to locate. However, more than one third (35%) provided no relevant information, and a further 11% offered unclear information.

Figure 18. Transparency of ISP website – Additional costs and rebates

Source: Civic Consulting website evaluation, Question ISP18. (N=265)



One of the additional costs found by mystery shoppers was for equipment or its shipment. Paying in a certain way, for example via paper invoice, was also linked to additional charges in some cases.

Sometimes mystery shoppers found relevant information on a separate page, such as price list or detailed product description, or in a separate PDF file that had to be downloaded.

Notable examples found by mystery shoppers include an Irish ISP that required a 'standalone charge' of 7.8 Euro and a Polish ISP that listed 'additional one-off costs' as

19.9 PLN, without further explanation. A Dutch ISP assessed an extra charge on new customers for administration costs.

An interesting example was also uncovered by a Bulgarian switcher. According to this switching exercise participant, the ISP did not make it clear in the offer that an extra payment may be required for each computer added to the subscription.

Contractual aspects

Contract duration

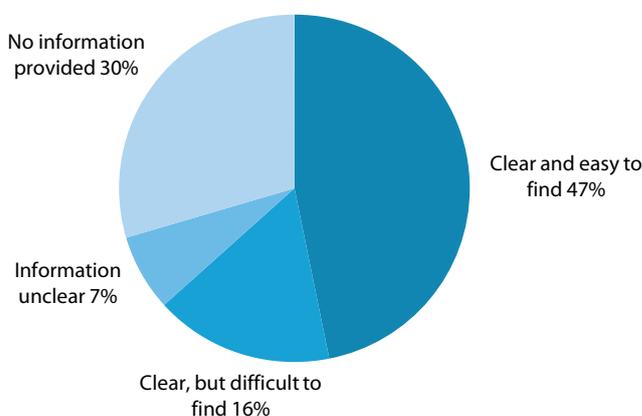
Mystery shoppers easily found clear contract duration information on 47% of ISP sites, but it was not available on 30% of sites. The remainder either provided clear, but difficult to locate information (16%) or unclear information (7%).

This is another offer component for which information was sometimes provided in small print at the bottom of website pages, on separate pages, or in PDF documents.

Notably, some ISPs allowed for selection from a variety of different contract lengths, though in some cases extra costs were incurred for choosing shorter durations or no minimum period, according to mystery shoppers' comments.

Figure 19. Transparency of ISP website – Contract duration

Source: Civic Consulting website evaluation, Question ISP19. (N=267)



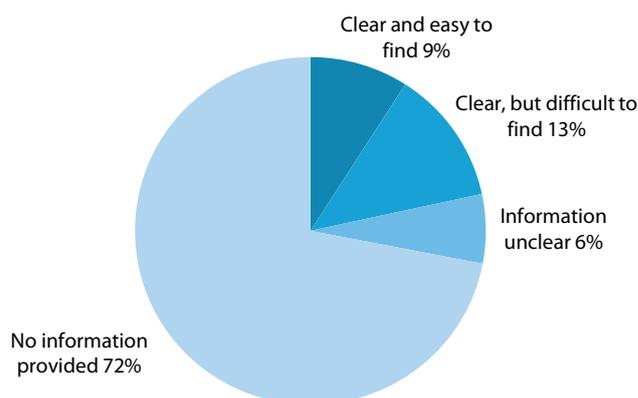
Switching exercise participants generally perceived information on contract duration to be clear, though this was less the case in Spain where switching exercise participants indicated lower than average clarity due not so much to initial offer review but problems that emerge during early contract termination, or when ISPs automatically renew the contract without notice.

Termination fees

Nearly three quarters (72%) of evaluated websites did not provide information on whether fees would be incurred for early contract termination. Just 22% provided this information clearly, if in a difficult to find location, while 6% gave unclear information.

Figure 20. Transparency of ISP website – Fee for terminating contract before it expires (termination fee)

Source: Civic Consulting website evaluation, Question ISP21. (N=264)



From mystery shoppers' comments it is clear that the majority of those ISPs that provided information did indicate that fees would be assessed for early contract termination. On other websites, the applicability of a fee was mentioned, but the amount was not specified.

One UK switching exercise participant was subject to unexpected cancellation charges, as her ISP had put her onto a rolling contract.³⁹ She reported that this was not made clear to her:

"I never thought I had signed up to that and I don't remember ever being told that was the case" (One participant in the United Kingdom).

In another interesting case, a switcher in Poland found an ISP that advertised an offer with 'no fixed term contract'. But, this same ISP charged an activation fee payable only in case of early contract termination. In other words, the ISP had applied a different name to a typical early termination fee.

Other aspects

Availability of customer service hotline

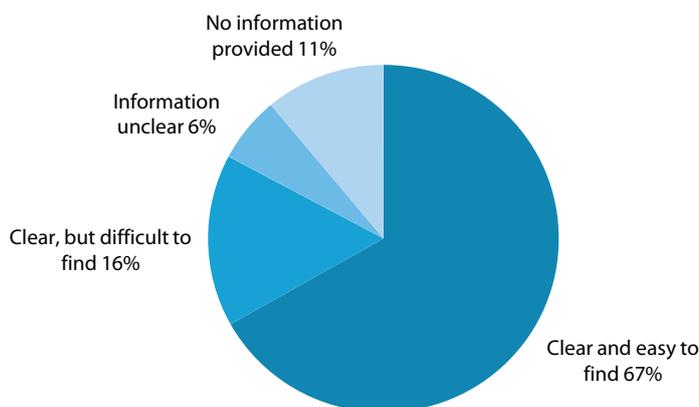
Two-thirds (67%) of ISPs were reported by mystery shoppers as providing clear and easily accessible information about the availability of a customer service hotline. A

³⁹ Ofcom has now prohibited automatic renewal of contracts; please see Footnote 258.

further 16% provided clear information which was difficult to find. Only 11% provided no relevant information, while another 6% offered unclear information.

Figure 21. Transparency of ISP website – Availability of customer service hotline

Source: Civic Consulting website evaluation, Question ISP24. (N=262)



Mystery shoppers' comments make it clear that most ISPs which indicated the availability of a customer service hotline also provided the telephone number. On about a third of the websites that provided at least some information, the 'opening' hours were listed.

The review of offers by UK switching exercise participants suggests that the provision of customer service is not consistently or clearly communicated across ISPs. Those which have UK based call centres make this much clearer in their communications, whereas those with overseas call centres tend to include this in the small print.

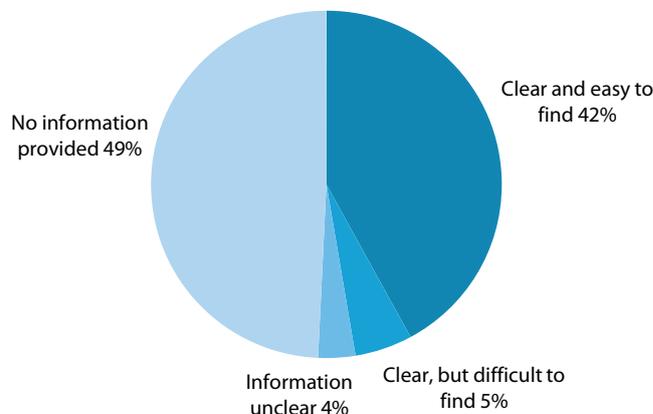
In Bulgaria, most of the switching exercise participants did not express much trust in the information provided on customer service. They indicated that usually a 24/7 support line is advertised, but were rather sceptical about the possibility to obtain support during the night.

Availability of additional online services

While 49% of evaluated ISPs provided no information about additional online services (e.g. email, personal websites, personal storage, etc.) in the prominently advertised offer assessed, almost as many ISP websites (42%) made this information clear and easy to find. A further 5% provided clear information that was difficult to locate, while 4% provided unclear information about the availability of additional online services.

Figure 22. *Transparency of ISP website – Availability of additional online services (email, personal website, personal storage, etc.)*

Source: Civic Consulting website evaluation, Question ISP22. (N=264)



In corroboration of the mystery shopping results, participants in the switching exercise rated the clarity of the information provided on additional online features (such as email, online storage, and personal websites) as relatively unclear (average rating of 4.3 on a scale from 0, not at all clear, to 10, very clear).

Mystery shoppers' comments suggest that by far the most frequently offered additional online service is email. Other services which came up were the provision of a personal website, online storage, a particular type of IP address (dynamic or static), and virus protection. Less frequently noted were Web TV, parental control options, access to online game servers, and various phone options. Some ISPs indicated extra fees for particular services, and some specified they were free of charge. In some cases the extra charges were not specified.

Price clarity in offers

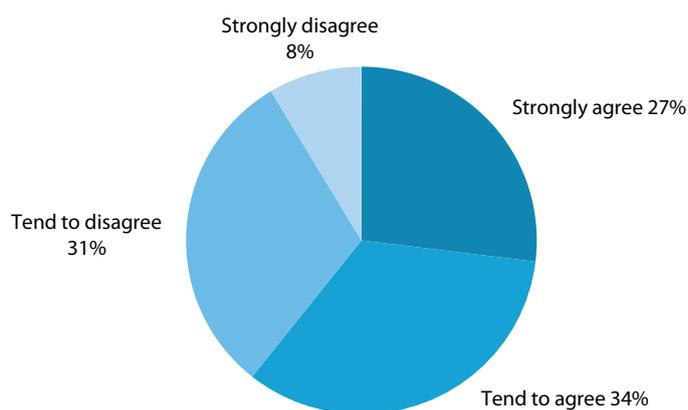
Taking into account only the price-related components discussed above, it is notable that while mystery shoppers nearly always found clear information on the standard monthly price of evaluated offers on ISP websites (91%), information on activation/installation costs and any additional costs/rebates was much less frequently provided in a clear manner. Additionally, although termination fees cannot be viewed as a definite price component of the same class as upfront or monthly costs which will be applied during a contract's initial duration, they do constitute a potential charge. Relevant information on these fees was not provided on 72% of evaluated websites.

This frequent absence of information on price factors other than the standard monthly charge appears to have affected mystery shoppers' overall assessment of the presentation of price information on ISP sites (shown in Figure 23 below).

These overall assessments were made by mystery shoppers after they had scrutinised the prominently advertised product and searched for a series of specific products (in pre-defined locations if that functionality was available on the website) on each website. Ultimately, 61% of ISPs were deemed by mystery shoppers as providing clear and understandable price information (see the following figure).

Figure 23. Indicate your level of agreement with the following statement: 'This ISP website provided clear and understandable price information'.

Source: Civic Consulting website evaluation, Question ISP150. (N=267)



Relevant issues noted by mystery shoppers include:

- ▶ Some websites listed certain costs separately, e.g. beneath or next to the main price, while others included them in the small print at the bottom of the page or in a separate document;
- ▶ In some cases price information was easy to find, but unclear or contradictory according to mystery shoppers’;
- ▶ For complicated double- and triple-play bundles the price information could be particularly unclear, as more price factors were involved.

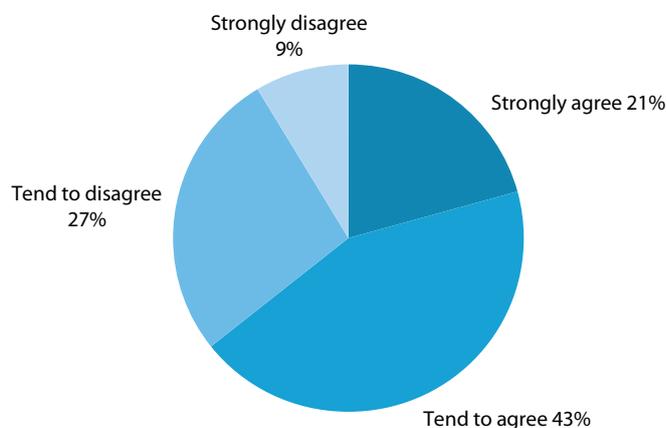
Two ISPs managed to minimise this last problem by providing a running total price, which increased each time a new bundle element was added. The clarity of prices was also improved, according to eight mystery shoppers, when displayed in table form.

These results lead to the question of whether consumers can make an informed choice based on offer information presented on ISP websites. At the end of their evaluation of each ISP website, mystery shoppers were asked this question. Figure 24 displays the results.

Usefulness of ISP websites in allowing an informed choice

Figure 24. Level of agreement with the following statement: 'I found this ISP website to be useful in allowing me to make an informed choice'.

Source: Civic Consulting website evaluation, Question ISP149. (N=266)



Nearly two thirds (64%) of ISPs were characterised by mystery shoppers as useful in allowing them to make an informed choice. However, on fully 36% of ISP websites the mystery shoppers did not think that they were being assisted in arriving at an informed choice.

The key issue here appeared to be the absence of vital information about the offers. On around a fifth of ISP websites mystery shoppers commented that the lack of sufficient information hindered them from making an informed choice. Most frequently, mystery shoppers mentioned that information on speed, availability, and contract terms was not provided or unclear. In addition, they recorded insufficient information on technical aspects and additional services.

For these reasons, some mystery shoppers commented that the ISP websites were helpful in providing a general impression of what products the ISPs were offering, but that they would have to get in touch with the ISP, possibly by calling them, to be sure about the details of a specific offer and whether it was available for them. This was explained by one Lithuanian mystery shopper: *'it provides a general impression of what the company has on offer, but for any more specific details the customer has to call the company directly and clarify those details'*.

In some cases the mystery shoppers even noted that they thought they were being misled by the ISP websites, due to missing or hidden information, particularly about extra costs or contract terms. One mystery shopper explained an assessment of an Irish ISP in this way: *'I feel that the whole structure of the website tends more towards misleading the consumer than helping them to make an informed decision'*. An additional issue, pointed out by three mystery shoppers, is that the ISPs tend to assume a certain level of technological knowledge. Even if all the relevant technical details are clearly presented, the consumer does not necessarily understand the

terminology and what it entails. Therefore, one mystery shopper suggested that it would be easier to make an informed choice if the ISPs provided general information about broadband technology.

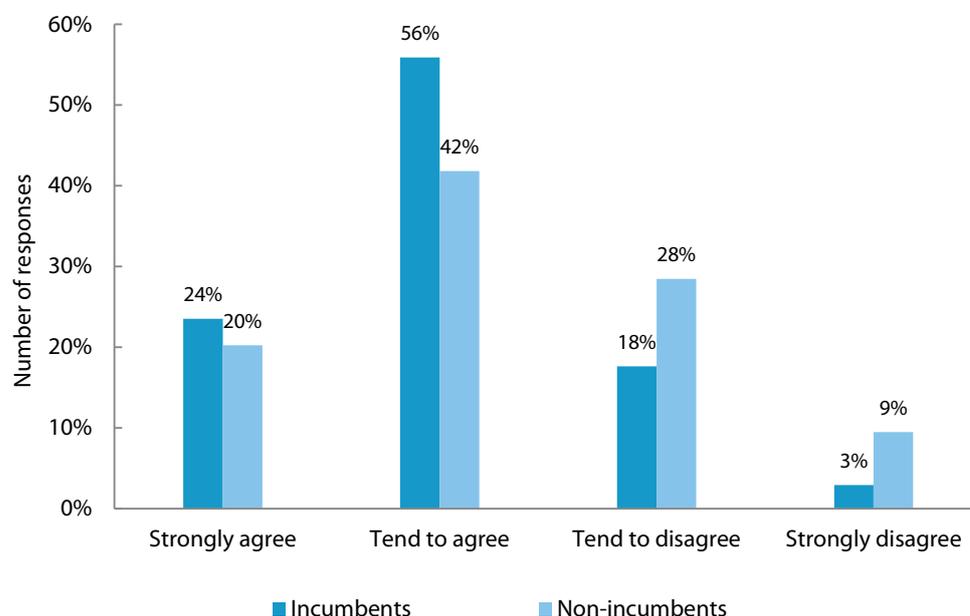
Comparing the assessments of incumbent and non-incumbent ISPs

This sub-section separately displays the results for incumbent and non-incumbent providers on two key website evaluation aspects – price clarity in offers and usefulness in allowing an informed choice. The websites of the incumbent ISPs are rated slightly better by mystery shoppers than those of the new entrant providers.

In four-fifths of cases (80%) the mystery shoppers assessed that the incumbent ISPs were useful in allowing the consumer to make an informed choice. Of those who disagreed with this only a small number did so strongly (3% of total). In almost a quarter of cases (24%) the mystery shoppers strongly agreed that the ISPs were helpful to the consumer. In contrast, 62% of non-incumbent ISPs were deemed by the mystery shoppers to be useful in allowing the consumer to make an informed choice. In addition, a higher share of mystery shoppers strongly disagreed that this was so in the case of the non-incumbent ISPs (9%). On 20% of non-incumbent ISP websites the mystery shoppers strongly agreed that they were being helped to make an informed choice, whereas this was the case for 24% of incumbents.

Figure 25. Indicate your level of agreement with the following statement: 'I found this ISP website to be useful in allowing me to make an informed choice'.

Source: Civic Consulting website evaluation, Question ISP149. (N=266: 34/232)

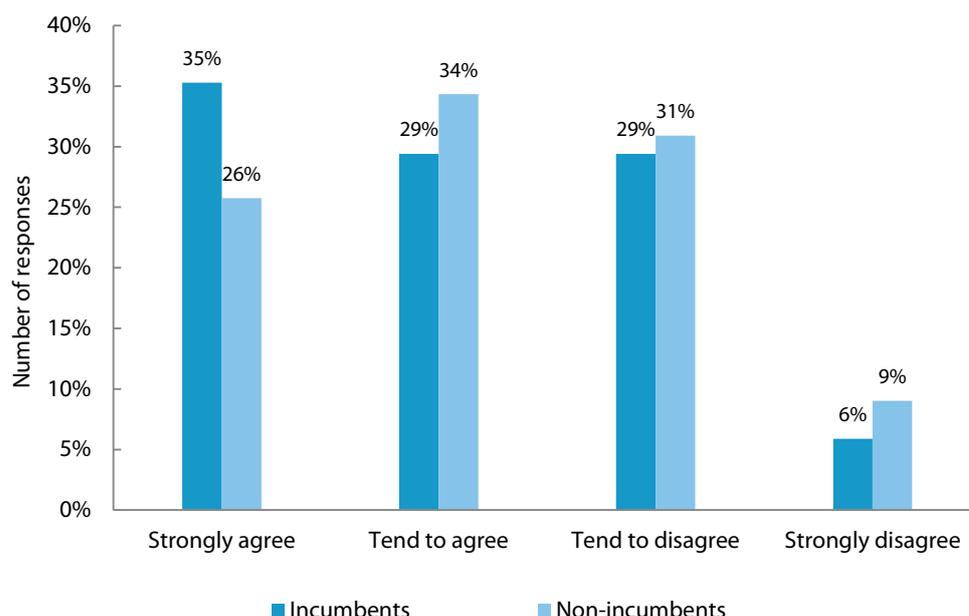


Regarding the clarity of price information, on 64% of incumbent ISP websites the mystery shoppers agreed that the price information was clear and understandable. More than half of these strongly agreed that this was the case (35% of total). Only 6% strongly disagreed. As in other aspects, the non-incumbent ISPs performed less well

than the incumbents, although the differences between the groups were fairly small. On 60% of non-incumbent ISP websites the mystery shoppers agreed that the price information provided was clear and understandable, which is 4% lower than the corresponding share of incumbent ISPs. A higher percentage of mystery shoppers (9% compared to 6%) strongly disagreed that price information was clear and understandable on non-incumbent ISP websites, while a lower percentage strongly agreed (26% compared to 35%).

Figure 26. Indicate your level of agreement with the following statement: 'This ISP website provided clear and understandable price information'.

Source: Civic Consulting website evaluation, Question ISP150. (N=267: 34/233)



Stakeholders' opinions on main obstacles to transparent offers

Consumer organisations that responded to our stakeholder survey also expressed concerns regarding the transparency of offers made by Internet service providers, as well as the proficiency of consumers. As shown in the following table, when asked for their assessment of the main obstacles confronting consumers in terms of offer transparency, consumer organisations and members of the Consumer Protection Cooperation Network tended to highlight general offer complexity and the often confusing nature of the language used in offers.

Table 15. Main obstacles for consumers in terms of transparency of offers when selecting a tariff and an ISP that is suited to their needs

Source: Civic Consulting survey of consumer organisations, Q5a, and members of the Consumer Protection Cooperation Network, Q7a; question text: In your view, what are the main obstacles for consumers in terms of transparency of offers when selecting a tariff and an Internet service provider that is suited to their needs? Note (a): low prices for 3-6 months; (b) recent trend, occurred after 2010.

Country	Organisation	Main obstacles for consumers in terms of transparency of offers
BE	Association belge des consommateurs Test-Achats asbl	Knowledge of total monthly costs and of the real connection speeds (in comparison to the advertised speed).
BG	Bulgarian National Association Active Consumers	No information on applicable prices after promotional period ^(a) in the advertisement. If present, it refers to general tariffs that can be changed later.
BG	Ministry of Economy, Energy and Tourism (CPCN)	Complete information regarding the offers can be found only on ISP websites; therefore consumers are dependent on fairness of traders in the shops.
CZ	Czech Association of Consumers TEST	Gap between advertised and real parameters; data limits (FUP); and packages.
DK	Consumer Ombudsman (CPCN)	Lack of information regarding the full price of the offer.
EE	Consumer Protection Board of Estonia (CPCN)	Providers advertise speeds that are not realistic or true; consumers do not understand technical details like speed or download limit.
EL	KEPKA-Consumers' Protection Center	The offers are too complicated. Similar offers are presented in ways that hinder consumers to compare.
FR	UFC-QUE CHOISIR	Contracts and offers too complex.
IT	AGCM (CPCN)	Consumers have no real understanding of the contract or subscription they are signing due to misleading information (e.g. full price and limitations).
CY	Competition & Consumer Protection Service - Ministry of Commerce, Industry and Tourism (CPCN)	Lack of basic knowledge of the service (especially by older users) poses problems for the understanding of the offers, which are already unclear, ambiguous, and unintelligible.
NL	Consumentenbond	Difficulty interpreting different speeds and inability to compare offers after their promotional period. Comparability problems worsened after the increase in sales of offers that combine Internet, television, and telephone services. ^(b)
PL	Office of Competition and Consumer Protection (UOKiK) (CPCN)	Lack of clear and comprehensive (not misleading) information on total monthly charges and cost of additional services. Not always possible to read contract before signing (accentuated by use of small fonts). Contracts delivered by courier do not match terms agreed by the consumer via phone.
PT	Consumer Directorate-General (CPCN)	Advertised speed is misleading; no way to confirm the accuracy of this data.
SI	Slovene Consumers' Association	A lot of non-transparent offers; no independent comparison tool.
SK	Ministry of the Economy (CPCN)	Even when clear information is provided, there are always problems in the service provision. Additional contractual bindings are easily overlooked because written in small letters on the back of the contract.
SE	The Swedish Consumer Agency (Konsumentverket) (CPCN)	Complicated information (omission of essential information or enhancement of just some parts) makes it difficult to compare and evaluate different offers.
UK	Consumer Focus	Information is often missing, difficult to access or complex and of poor quality. The use of technical language and consumers' lack of technical knowledge increase difficulty in its interpretation.
UK	Office of Fair Trading / Ofcom (CPCN)	Lack of: (1) understanding of the different price options available and how to compare them; (2) clarity and access to accurate information on broadband speed and data limits; (3) understanding of additional charges and what is considered a fair contract term.
UK	Which? (The Consumers Association)	Lack of clarity in price offers: (1) headline prices must be fully inclusive, (2) normal price and duration should be given equal prominence to those of the special, time-limited offer, (3) advertised price must be easily achievable. Unclear implications of data restriction related to 'fair usage' policies.
IS	Neytendastofa (NEST) - The Consumer Agency (CPCN)	The offers are often very complex, resulting from a complex price listing, and consumers have problems comparing offers from different service providers.

4.2 CRITERIA FOR CLEAR AND TRANSPARENT OFFERS

The key findings of this section are that:

1. Switching exercise participants concluded that information on the following items should be clearly listed in ISPs' offers: comprehensive price information, termination fees, connection speed (download and upload, plus actual speed received), geographical coverage/availability, specific description of other services included in a bundle, and accessibility of customer service;
2. Switching exercise participants indicated that clearly stating specifics of the offer in a bullet-point format could make the information easier to absorb and thereby facilitate comparisons;
3. Switching exercise participants' experience points to the usefulness of online tools that allow consumers to better understand which broadband speed they need.

Given that information on key offer components, including some costs/fees, was found relatively unclear by consumer survey respondents and was also deemed unclear or unavailable on a large percentage of provider websites scrutinised by mystery shoppers, the discussion of what would constitute a clear and transparent offer is an important one. All the more so because only 28% of consumer survey respondents were found to be 'proficient' in terms of their understanding of key Internet service parameters.

The information provided by participants in the switching exercise carried out in six countries is helpful in constructing a template for a transparent Internet service provision offer. After comparing providers and then actually switching, they participated in a focus group during which they discussed their criteria for clear and transparent offers. They concluded that information on the following items should be clearly listed in the offers of ISPs:

- ▶ Price, including information on the monthly subscription price, prices of additional options, price of equipment required, price after the end of introductory promotional periods, and duration of contract in relation to the advertised price;
- ▶ Early termination fees;
- ▶ Speed, including information on both download and upload speeds and on speeds which can actually be received by customers;
- ▶ Coverage of offer (especially in the case of mobile Internet);
- ▶ Description of each element constituting bundles (for example, concerning the number of TV channels);
- ▶ Accessibility of customer service (including means of communications used).

Switching exercise participants considered that clearly stated bullet-points of the specifics of the offer (as listed above) may make the information easier to absorb, make more immediate sense of, and facilitate comparisons.

In Poland, one of the participants in the switching exercise pointed out that often offers appear to be clear, but when ISPs are contacted they may not offer the same conditions as those advertised. This participant reported that, "There is a huge difference in what is in the leaflets and the reality".

In the United Kingdom, a few participants in the switching exercise accessed tools that allowed them to better understand which broadband speed they needed. The feedback provided on these tools by one participant in the switching exercise in this country suggests that they are useful:

"If somebody says, 'I'll give you a twenty megabit carrier rate, or whatever,' then I get confused with what I can do with it. If somebody says, 'Well, you can download five films a week, and ... for a two hour film, it'll take you roughly ten minutes,' then that's what I want. I want it in English" (one participant in the switching exercise in the United Kingdom).

Similarly, a participant in the switching exercise in Spain considered that a tool that would allow simulating needs in terms of download allowance would be useful, as shown in her comment:

"The online offers should include a simulator showing cost when downloading. This way the consumer will know (in terms of their needs) the [download limit] that they need to contract so as to avoid surprises later" (one participant in the switching exercise in Spain).

4.3 CLARITY OF CONTRACT TERMS

The key findings of this section are that:

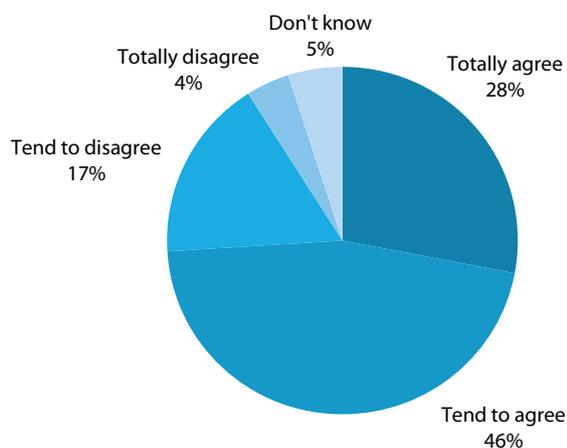
1. Most respondents to the consumer survey (74%) either totally or tend to agree that their contract with their Internet service provider is clear and easy to understand;
2. Respondents are most positive regarding contract clarity in Bulgaria (84%), Latvia (84%), and Cyprus (86%); conversely, contract clarity is least positively assessed in Sweden (69%), Spain (69%), Belgium (67%), and Luxembourg (64%).

Examining consumer survey respondents' assessments of their contract clarity, we see that most (74%) either totally or tend to agree that their contract with their Internet service provider is clear and easy to understand. Conversely, 17% of

respondents tended to disagree with the positive statement on contract clarity, and 4% completely disagreed (see the following figure).

Figure 27. Level of agreement with the following statement: 'My contract is clear and easy to understand'

Source: Consumer survey, Q25: For each of the following please indicate whether you totally agree, tend to agree, tend to disagree, or totally disagree: 'My contract is clear and easy to understand'. (N=27668)

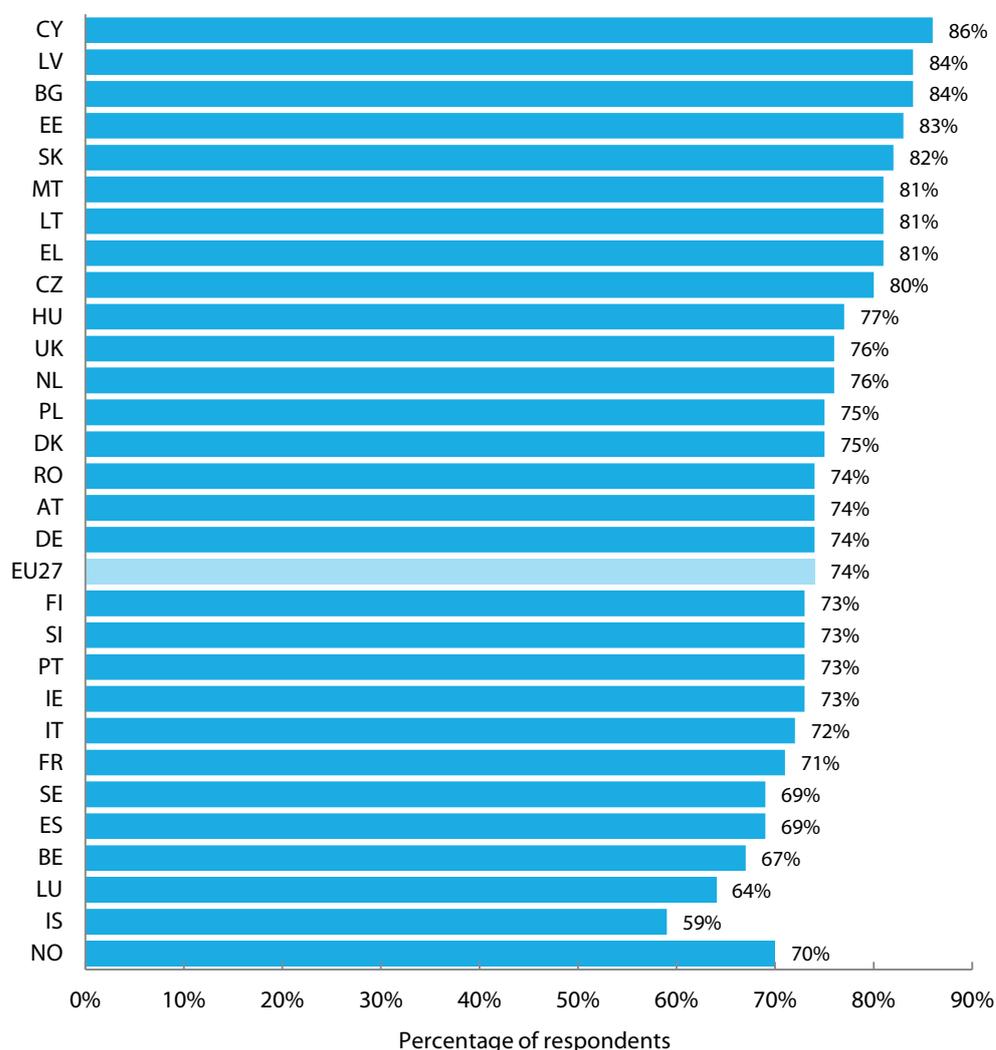


Respondents' assessments of their contract clarity exhibit some geographical differences, as shown in the following table. Notably, respondents are most positive regarding contract clarity in Bulgaria (84%), Latvia (84%), and Cyprus (86%) – the proportion of respondents agreeing that their contract is clear and easy to understand in these three countries exceeds the EU27 average by at least 10%.

In contrast, there are several countries in which respondents' level of agreement with the notion that their contract is clear and easily understandable is at least 5% below the EU27 average. These countries are Sweden (69%), Spain (69%), Belgium (67%), and Luxembourg (64%).

Figure 28. Respondents who agree with the following statement: 'My contract is clear and easy to understand'

Source: Consumer survey, Q25.
Note: Percentage indicates the proportion of respondents who 'totally agree' or 'tend to agree'.
(N=27668 for EU27 / 29243 for all countries)



Assessments of contract clarity also vary, though not to a great extent, by respondent sub-group. There is clearly a tendency for views toward contract clarity to be more positive among older respondents: 76% those aged 55 or above agree that their contract is clear, while 70% of those in the youngest age range (15-24) concur.

Users of standalone Internet connections are slightly more likely than their bundle-using counterparts to view their contract as clear and easy to understand, a finding which may reflect the additional complexity added to contracts by additional services such as telephony and TV.

Finally, respondents' agreement with the 'clear and easy to understand' statement increases with their connection speeds, from 70% among those with the slowest connections (up to 2 Mbps) to 77% among those with high speed connections (more than 30 Mbps).

Table 16. Level of agreement with the following statement: *'My contract is clear and easy to understand'*

Source: Consumer survey, Q25.
Note: percentage indicates the proportion of respondents who 'totally agree' or 'tend to agree'.
(N=27668 for EU27)

	Sub-sample	...My contract is clear and easy to understand
Average	EU27	74%
Age	15 to 24	70%
	25 to 39	73%
	40 to 54	74%
	55 +	76%
Package	Standalone	76%
	Bundle	73%
Speed	Up to 2 Mbps	70%
	>2 to 12 Mbps	73%
	>12 to 30 Mbps	77%
	More than 30 Mbps	77%

Contract terms are discussed further in the following sections of this report:

- ▶ For a legal analysis of whether practices associated with termination fees, automatic renewal of contracts (roll-over contracts), and several other terms which were reported by stakeholders as frequently included in provider-consumer contracts may constitute unfair contract terms, please see Section 7. That section includes the results of the stakeholder survey questions which asked responding organisations to rank the relative level of complaints they receive on specific contractual issues, as well as the assessments of national regulatory authorities on the most commonly employed unfair contract terms in their countries;
- ▶ For a broader discussion of the extent to which unclear contract terms constitute a source of consumer problems, as well as the closely related issue of problematic billing practices, please see Section 8 on general consumer problems and complaints and Section 8.4 on billing-associated problems;
- ▶ Privacy and data protection concerns, which are also often rooted in contract terms, are addressed in detail in Section 8.5;
- ▶ Finally, for an analysis of the role played by termination fees and associated contract terms in consumers' switching behaviour, please see Section 6.

5 COMPARISON OF OFFERS

This section assesses the ease of comparisons within the Internet service provision market. Based on consumer survey respondents', switching exercise participants', and mystery shoppers' assessments of the ease with which offers can be compared, we take an in-depth look at comparison websites targeted at the market for broadband Internet access and provision, including their availability, functionality, and overall value as information sources for consumers.

The section is divided into two main parts, the first (Section 5.1), assesses the level of difficulty associated with offer comparisons, while the second (Section 5.2) evaluates the availability and usability of comparison websites.

5.1 EASE AND EXPERIENCE OF COMPARING OFFERS

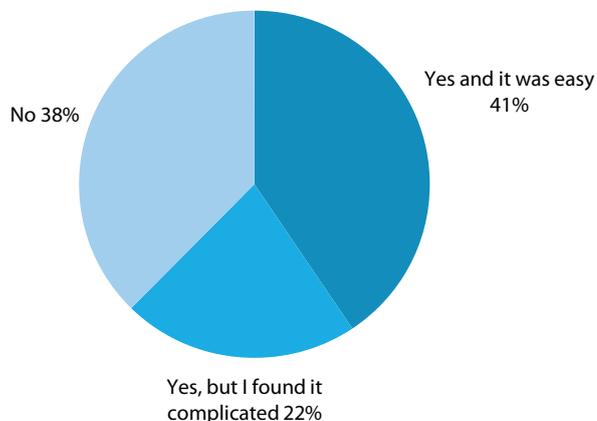
The key findings are that:

1. Across the EU, 63% of consumer survey respondents indicate that they have compared different offers for Internet access over the last 12 months;
2. Amongst those who did compare offers, about two thirds found the comparison easy, while the other third found it complicated;
3. The proportion of respondents that have compared different offers is highest in Poland (73%) and Greece (72%) and lowest in Malta (16%) and Cyprus (26%);
4. Respondents who have considered switching (but have not actually done so) are more likely to have found comparing offers complicated than actual 'switchers' or 'non-switchers'. This suggests that those considering switching have often not made a switch because of difficulties they have had comparing different offers.

Across the EU, the majority of consumer survey respondents indicate that they have compared different offers for Internet access over the last 12 months (63%; see figure below), and these respondents are more likely to say they found this undertaking easy than complicated. By restricting the sample to only those respondents who have compared offers (i.e. excluding the 'no' responses seen in the figure below), we can state that 65% of those who have compared offers found it easy, while a significant minority 35% found it complicated.

Figure 29. Whether respondents have compared different offers

Source: Consumer survey, Q18: Over the last 12 months, have you compared different offers for Internet access? (N=27668 for EU27)

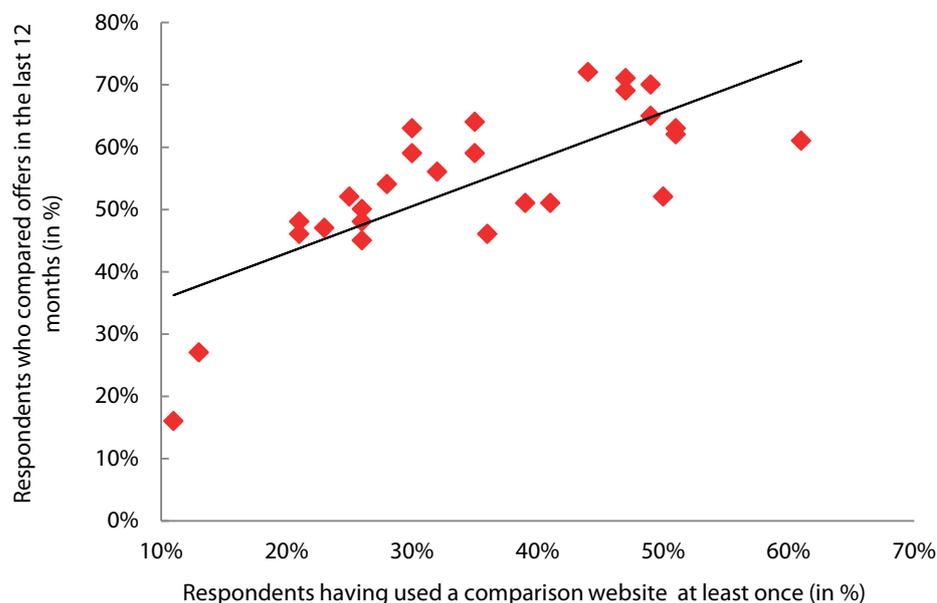


The proportion of respondents that have compared different offers is highest in Poland (73%) and Greece (72%) and lowest in Malta (16%) and Cyprus (26%). And, as seen in the next figure, there is a robust positive correlation (0.76)⁴⁰ between the percentages of respondents in each country who compared offers and the percentage of respondents who have used a comparison website at least once.

⁴⁰ Significance level: $p < 0.001$.

Figure 30. Relationship between the percentage of respondents who have compared offers and the percentage who have used a comparison website for Internet service provision offers

Source: Consumer survey, Q18 (Over the last 12 months, have you compared different offers for Internet access?), Q21 (Have you ever used a comparison website to compare the offers from different Internet service providers?) Note: Each dot represents a country.



A more detailed, country-specific breakdown of the results of this survey question shows that respondents' experiences do differ across countries (see figure below).

In a number of countries, the proportion of respondents that found it easy to compare offers is much higher than the proportion that found it complicated. This applies in particular to Poland, Greece, Romania, Cyprus, Bulgaria, and Lithuania. However, in Luxembourg, Belgium, and Iceland, respondents are more likely to have found it complicated than they are to have found it easy.

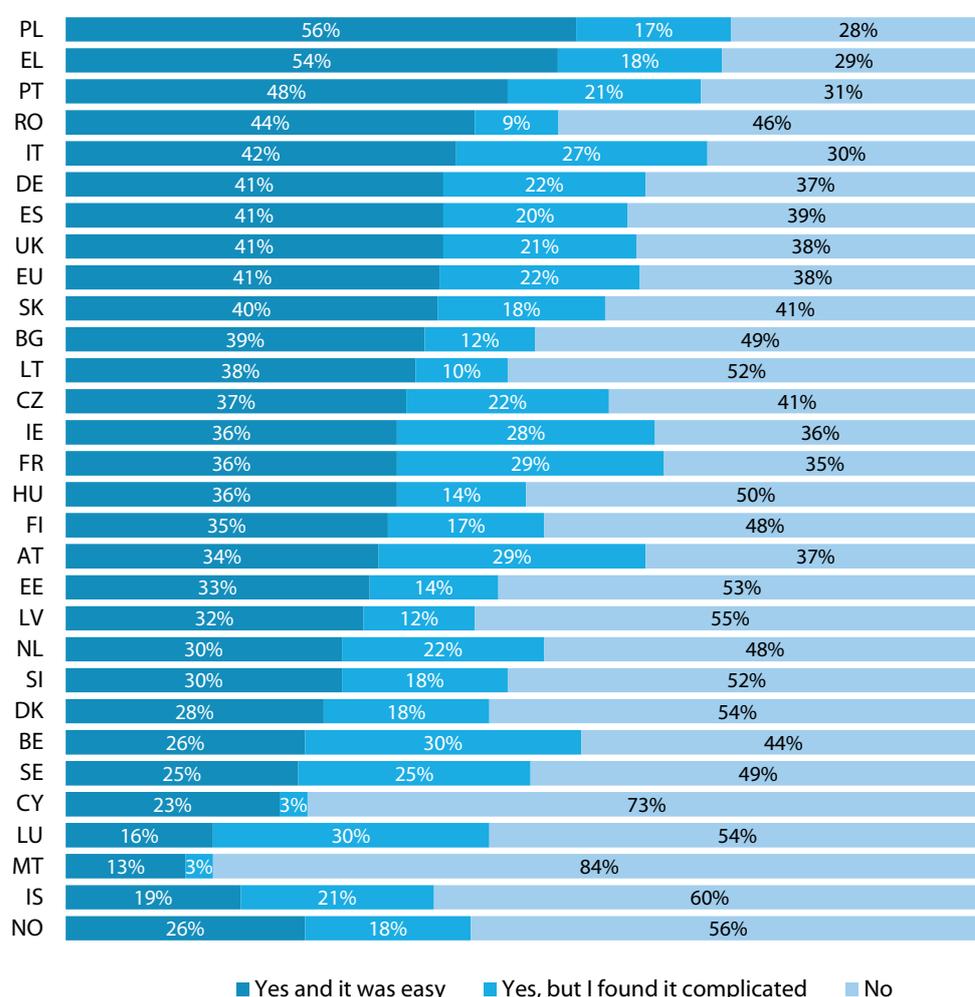
With regard to the relatively high rate of comparisons in Poland and Greece and the low rate in Malta and Cyprus, there are a couple of potentially noteworthy findings. One requirement for comparisons is the availability of multiple providers. In this respect, Greece, though not Poland, stands out. In Greece, 63% of respondents identified three or more providers operating in their area when they last compared offers (a rate matched only by respondents in Portugal). In contrast, this figure was lowest in Cyprus (34%) and Malta (22%). The pattern does not hold in Poland, however. There, despite the high percentage of respondents who had compared offers over the preceding 12 months, just 48% indicated the availability of three or more providers in their area (below the EU average of 55%) – lower percentages were found in only six other countries.⁴¹

⁴¹ For a more detailed presentation of the results of this consumer survey question on the number of available providers in respondents' areas of residence, please see Section 3.1.1.

Another potentially explanatory result is the overall incidence of problems experienced in the surveyed countries (because experiencing problems with one's ISP might prompt consideration and comparison of other offers). Respondents in Greece and Poland indicated a relatively high incidence of problems with their Internet service providers. Forty-three percent of respondents in both countries reported having experienced problems, the third highest percentage behind Hungary (48%) and Ireland (47%). Conversely, respondents in Malta (19%) reported the lowest incidence of problems, with those in Cyprus also indicating a relatively low rate (29% – above only Germany, Austria, and Malta, and tied with Luxembourg.)⁴²

Figure 31. Whether respondents have compared different offers, analysis by country

Source: Consumer survey, Q18 (N=27668 for EU27)



There are some notable trends by socio-demographic group and respondents' Internet usage patterns, as exhibited in the following table. A number of respondent groups are more likely to have compared different offers for Internet access over the

⁴² For a more detailed presentation of the results of this consumer survey question on problems experienced by respondents with their ISPs, please see Section 8.

last 12 months. Men are more likely than women to have compared different offers (67% compared with 57%), and the proportion comparing offers increases with the level of education: from 46% of those educated to no more than elementary school level, to 70% of those with a post graduate degree. Older respondents are less likely to have compared offers (53% of those aged 55 or over compared to approximately two thirds of those in the age groups of 15-24 and 25-39). The proportion of respondents that have compared different offers is also higher among bundle subscribers than those with standalone access (63% compared with 53%), and is higher among those that use their home Internet access for business, particularly when they do so for three or more hours per day (70%).

There are also differences in the proportions of respondents who found it easy or complicated to compare different offers. Men are more likely than women to have found it easy, while older respondents (aged 55 or over) tend to have found it more complicated than younger respondents.

The analysis also shows that respondents who have used comparison websites are more likely to have found it easy to compare offers than those who have not used these websites. However, the table below amplifies this discrepancy because respondents who had used a comparison website before reported having compared offers during the last 12 months at a much higher rate than those who had not used a comparison website.

Restricting the sample of respondents to only those who have compared offers reveals that 70% who have used a comparison website found comparison easy, compared to 57% of those who have not used a comparison website. This finding suggests that using comparison websites may ease the comparison process for respondents; however, we cannot establish a direct link because consumer survey respondents were only asked if they had ever used a comparison website – not if they had used one to compare offers during the past 12 months. However, assessments of comparison websites' usability and usefulness are presented below (Section 5.3) based on the experiences of the mystery shoppers who participated in the website evaluation exercise.

Table 17. Whether respondents have compared different offers, analysis by gender, age, education, switching behaviour, use of comparison websites, Internet usage for business, and package type

Source: Consumer survey, Q18.
(N=27668 for EU27)

	Sub-sample	Yes and it was easy	Yes, but I found it complicated	No
Average	EU27	41%	22%	38%
	EU15	39%	24%	37%
	EU12	45%	15%	40%
Gender	Male	46%	21%	33%
	Female	35%	22%	42%
Age	15 to 24	46%	20%	34%
	25 to 39	48%	19%	33%
	40 to 54	39%	24%	37%
	55 +	30%	23%	47%
Education	Elementary school or less	35%	11%	55%
	Some high school	35%	21%	44%
	High school graduation	39%	21%	40%
	University graduation	42%	24%	33%
	Post-graduate degree	47%	23%	30%
	Other qualification	37%	17%	46%
Switching behaviour	Switchers	50%	15%	35%
	Considerers	42%	38%	20%
	Non-Switchers	25%	13%	61%
Use of CW	Yes	57%	24%	20%
	No	26%	20%	54%
Usage - Business	3 or more hours/day	49%	21%	30%
	Less than 3 hours/ day	40%	23%	37%
	Never	29%	19%	52%
Package	Standalone	34%	19%	47%
	Bundle	41%	22%	36%

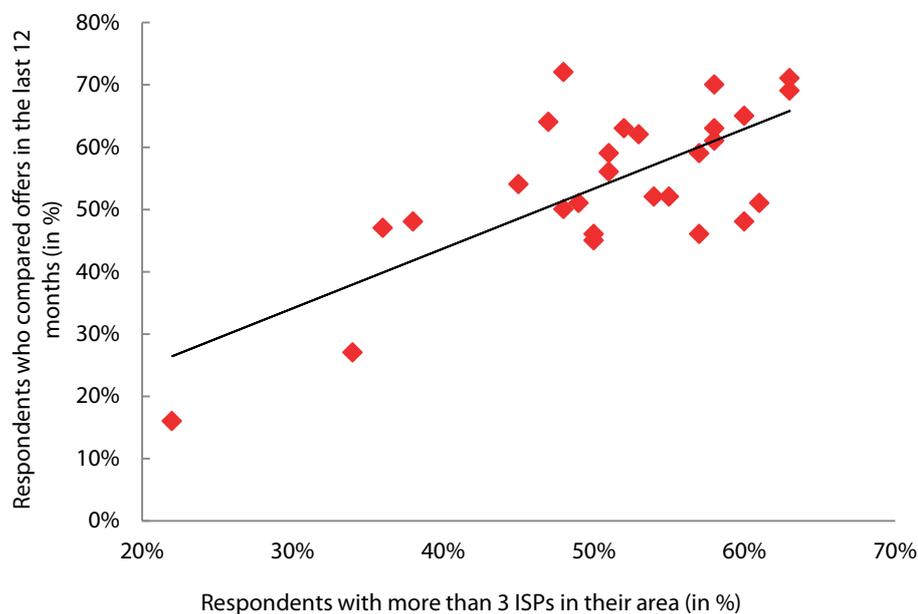
The correlation presented in the following figure shows that those countries with higher percentages of respondents who have compared offers in the previous 12 months tend to have higher percentages of respondents with access to more than 3 Internet service providers. The correlation coefficient (0.73)⁴³ indicates a relatively strong correlation, though exclusion of the findings in Cyprus and Malta lowers the correlation coefficient substantially (to 0.41).⁴⁴

⁴³ Significance level: p<0.001.

⁴⁴ Significance level: p<0.05.

Figure 32. Relationship between the percentage of respondents who have compared offers and the percentage with access to more than three ISPs in their area

Source: Consumer survey, Q18 (Over the last 12 months, have you compared different offers for Internet access?), Q19 (When you last compared offers, how many providers offered Internet access in your area?) Note: Each dot represents a country.



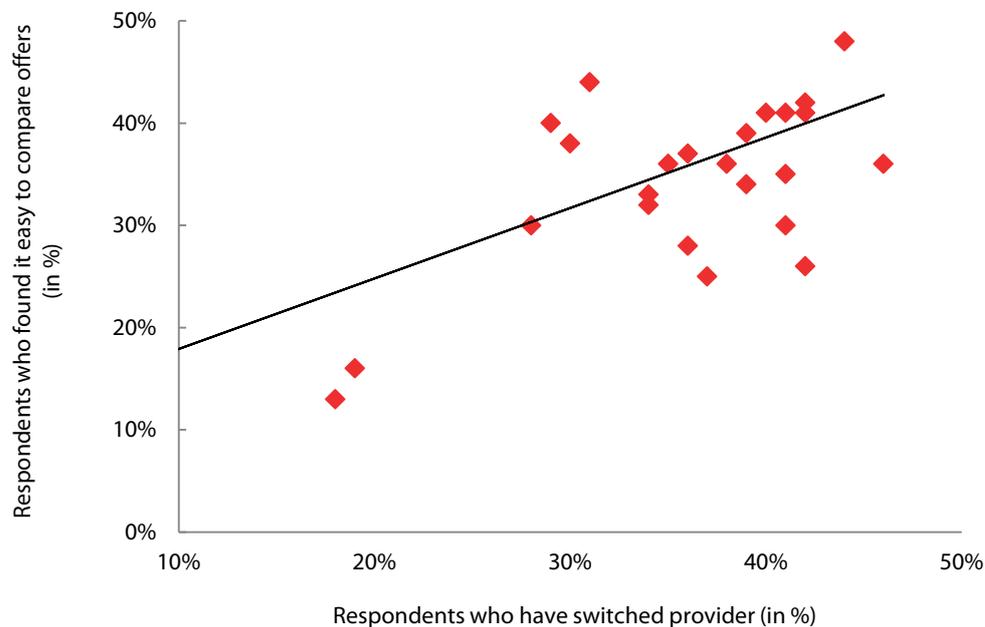
It is notable that those respondents who have considered switching (but have not actually done so) are more likely to have found comparing offers complicated as actual ‘switchers’ or ‘non-switchers’. This suggests that those considering switching have often not made a switch because of difficulties they have had comparing different offers.

The relationship between the ease with which consumers are able to compare offers and their actual switching behaviour is further demonstrated by the strong positive correlation (correlation coefficient is 0.61)⁴⁵ between the percentage of respondents in each country who report having switched provider in the past three years and the proportion in the same country who report finding it easy to compare offers.

⁴⁵ Significance level: $p < 0.001$.

Figure 33. Relationship between percentage of respondents who have switched provider and the proportion who found it easy to compare offers

Source: Consumer survey, Q4, Q18.
(N=27668 for EU27)



Participants in the switching exercise carried out in six countries also reported on their experiences of comparing offers.

In several countries, such as in Bulgaria and the United Kingdom, switching exercise participants found it generally easy to compare the offers of ISPs. In Bulgaria, participants found that the presentation of these offers was generally clear. In the United Kingdom, participants pointed to an abundance of information on the Internet and most felt that terminology and descriptions of offers are largely similar across providers. One British participant, however, expressed some reservations in this respect. This participant found it difficult to compare tariffs offered by ISPs, as shown in the following comment:

"When I was contacting different companies, they were saying, 'We've got six months at this deal'. I said, 'I just want to know what the price is going to be ultimately and I was comparing what the price would be, once the deal ran out'"
(one switching exercise participant in the United Kingdom).

In some cases, the comparison of offers was facilitated by the limited number of offers available in the area of the participant. For example, four out of ten participants in Poland had only two providers in their area. In other cases, the selection of a specific bundle by the participant also reduced the number of offers available. For example, one German participant could only choose between three offers because he was looking for a bundle that included Internet, fixed telephony, and TV.

In Spain, switching exercise participants generally felt that it was easier to compare offers including only one service than bundles of several services, as suggested by the comment of one participant in this country:

“For me it was an easy task, because I only searched for information about one service that has a specific price” (one switching exercise participant in Spain).

Many of the consumers contacted in Sweden for the switching exercise found the comparison of offers overwhelmingly difficult. They reported that all providers have different packages that are very difficult to compare in full (for more details, please see Section 3.2 of Part 3 of this report).

These findings raise the question of whether bundling complicates offer comparison for consumers. Given that 86% of consumer survey respondents indicated having a bundle with their current provider this is an important issue. The results, however, are mixed: whereas the switching exercise participants in Spain felt it was easier to compare standalone than bundle packages, some stakeholders pointed out that bundling may have ambiguous effects on the comparison of offers depending on whether a consumer is comparing bundles with identical components or comparing across package types. One national regulatory authority pointed out:

“On one hand, it can facilitate comparisons when the consumer is thinking of changing from one bundle which contains three or four services, to another bundle which contains three or four services. When the consumer is comparing the sum of individual services with a bundle, then the comparison is probably harder to do.”

This discussion on the impact of bundling is extended in Section 6, where the effects on switching behaviour are discussed in more detail.

5.2 AVAILABILITY AND USAGE OF COMPARISON WEBSITES

This section explores the availability and usage of websites for the comparison of offers for Internet service provision, hereafter referred to as comparison websites (CWs).

Key findings are that:

1. The availability of comparison websites aimed at the market for broadband Internet access and provision varies substantially across the 29 countries surveyed: in just 12 of the countries could 5 or more relevant CWs be identified at the time of research (in 7 countries, no relevant CWs were identified during the research period);
2. The absence of comparison websites in some markets and a lack of knowledge of their availability are reflected in the results of the consumer survey: Just 46% of

respondents say they have ever used a comparison website for this purpose. Around a third of all respondents (32%) report that they don't know of a comparison website for Internet service offers (26%), or don't know what a comparison website is (6%);

3. Consumer survey respondents who have used a comparison website to compare offers from different providers describe their experience in most cases in positive terms. However, only 12% of the respondents report actually finding their current provider in that manner;
4. One in ten CW users (9%) experienced that offers found were not up to date or complete. In comparison, the highest ranked negative item in a similar question asked for a previous study on price comparison websites for e-commerce in goods was chosen by only one in thirty PCW users (3%). This could indicate that consumers' experience with comparison websites in the Internet service provision market compares unfavourably with the experience they have with similar tools in other markets.

5.2.1 Availability

The availability of comparison websites aimed at the market for broadband Internet access and provision varies substantially across the 29 countries surveyed. This fact became obvious during our website evaluation exercise, which aimed to analyse up to 5 comparison websites (CWs) per country. In 12 of the 29 countries at least 5 CWs were identified and evaluated (see the next figure below for the distribution of evaluated CWs). That list includes 10 of the EU15 Member States, as well as Norway and Poland.⁴⁶ For several of these markets, more than 5 relevant CWs are in operation.

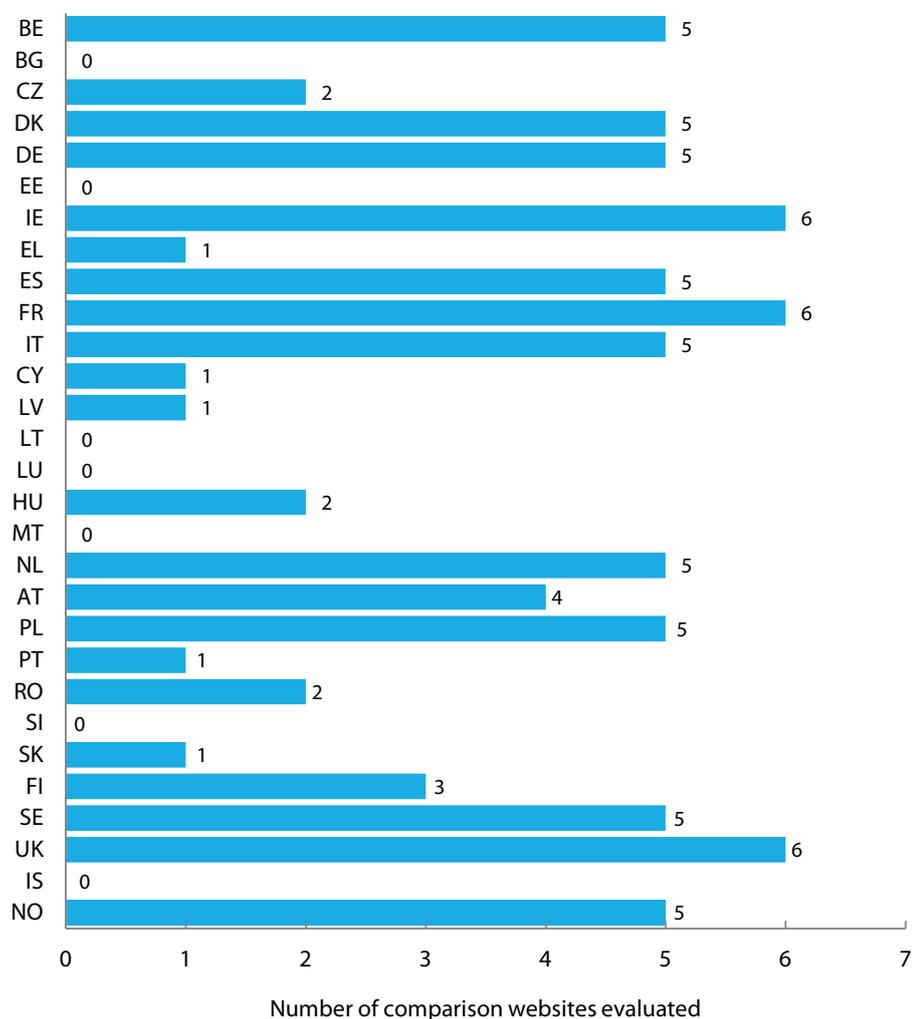
In those markets for which the following figure indicates less than 5 CWs evaluated, we were unable to identify additional CWs, either through pre-exercise desk research or additional searches conducted by the mystery shoppers in the primary language of the country. In some countries these dual-layer searches did not identify any CWs; five of the seven countries in which this was the case are EU12 Member States (the other two countries are Iceland and Luxembourg, markets whose size may limit the potential development of comparison websites).

⁴⁶ In three countries, six CWs were evaluated due to specific circumstances. The three countries are France, Ireland, and the UK. In the case of France, a sixth comparison website was evaluated because one of the initial five blocked the mystery shopper's product/location searches at a certain point. In Ireland and the United Kingdom, during the course of the exercise additional comparison websites, which were of particular interest (e.g. they were accredited by national regulatory authorities) were identified and included in the exercise.

Figure 34. Number of comparison websites evaluated in each country

Source: Civic Consulting website evaluation, Question CW2. (N=81)

Note: following the mystery shopping exercise, a comparison website in Estonia was identified which could consequently not be included in the exercise (and this resulting figure).

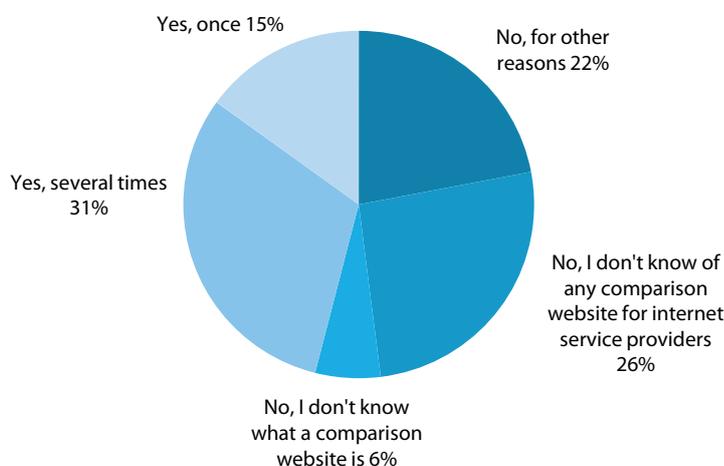


5.2.2 Usage

While over 63% of consumer survey respondents report having compared offers from Internet service providers in the past 12 months (see the previous section on the ease of comparing offers), just 46% say they have ever used a comparison website for this purpose. More specifically, 31% of respondents indicate they have used such a website several times and 15% have done so once. Around a third of all respondents (32%) report that they don't know of a comparison website for Internet service offers (26%), or don't know what a comparison website is (6%). These responses may reflect the absence of comparison websites in some markets and/or indicate a general lack of knowledge of their availability. The remaining 22% of respondents have not used a comparison website for another reason(s).

Figure 35. Use of comparison websites

Source: Consumer survey, Q21: Have you ever used a comparison website to compare the offers from different Internet service providers? (N=27668 for EU27)



The figure below shows that the proportion of respondents who have ever used comparison websites to compare different providers' offers (once or multiple times) is considerably higher in Spain (61%) than in other countries.

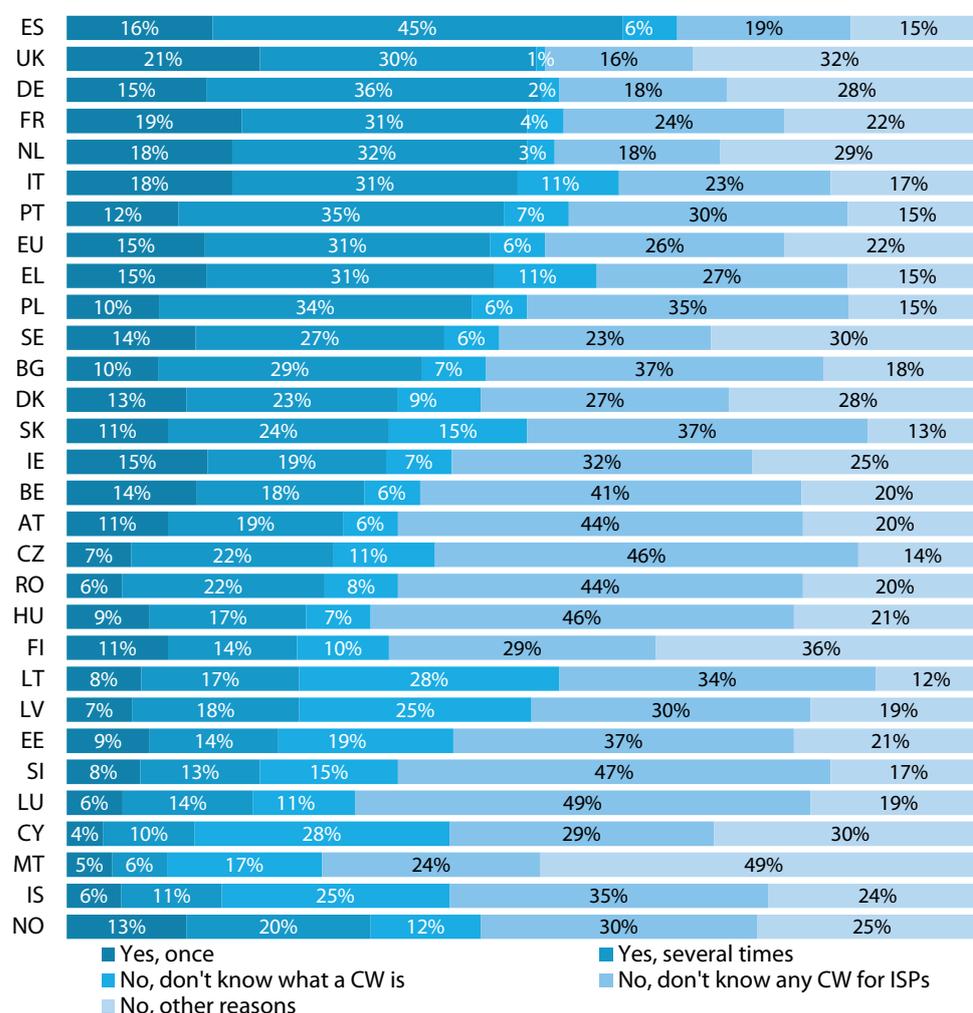
In general, the use of comparison websites is lower in the EU12 than EU15, and this tends to be because of lack of knowledge about comparison websites, or, because of the relative lack (or absolute absence) of functioning comparison websites in these countries. The proportion of respondents that do not know of comparison websites (at all, or of ones that can be used to compare Internet service provision offers) is highest in Lithuania and Slovenia, two markets for which our mystery shoppers were also unable to find a functioning comparison website.

Interestingly, unawareness of the existence of CWs is often high in countries where a (relatively) large number of CWs were identified and evaluated. For example, 32% of respondents in Ireland, 24% of respondents in France, and 23% of respondents in Italy report being unaware of any CWs for Internet service providers despite the evaluation of at least five such CWs in each country by mystery shoppers.⁴⁷ This finding clearly suggests that a sizeable minority of respondents are unaware of relevant comparison websites even in those markets for which they are relatively plentiful.

⁴⁷ These percentages include only those respondents who indicated 'No, I don't know of any comparison website for Internet service providers'. The response of 'No, I don't know what a comparison website is' has been excluded, though it applies to 11% of respondents in Italy, 7% in Ireland, and 4% in France.

Figure 36. Use of comparison websites, analysis by country

Source: Consumer survey, Q21
(N=27668 for EU27)



Among respondent sub-groups, the use of comparison websites is higher among those that have switched Internet provider, or have considered doing so, in the last three years (see table below).

The proportion of respondents who have used these websites is also higher among a number of groups: men, people under the age of 55, and those with higher educational qualifications. In addition, use of comparison websites is higher among those with a bundle rather than standalone Internet access, those who do not have mobile Internet access (e.g. via a dongle, USB) and more heavy users of the Internet for leisure and/or business (see table below). Many of these sub-groups are also more likely to have switched or to have considered switching. This reflects the general finding (noted above) that people who have switched or have considered switching are also more likely to have used a comparison website.

Table 18. Use of comparison websites, analysis by gender, age, education, switching behaviour, usage, type of access, and package type

Source: Consumer survey, Q21.
(N=27668 for EU27)

	Sub-sample	Yes, once	Yes, several times	Total 'Not used'
Average	EU27	15%	31%	54%
Gender	Male	15%	35%	50%
	Female	16%	27%	57%
Age	15 to 24	18%	29%	53%
	25 to 39	17%	32%	51%
	40 to 54	15%	34%	52%
	55 +	12%	28%	60%
Education	Elementary school or less	26%	21%	53%
	Some high school	16%	29%	56%
	High school graduation	15%	30%	56%
	University graduation	15%	33%	52%
	Post-graduate degree	16%	36%	49%
	Other qualification	13%	25%	62%
Switching behaviour	Switchers	18%	35%	47%
	Considerers	14%	37%	49%
	Non-Switchers	12%	19%	69%
Usage – Business	3 or more hours/day	18%	38%	43%
	Less than 3 hours/ day	14%	30%	57%
	Never	14%	22%	64%
Usage – Leisure	3 or more hours/day	16%	33%	51%
	Less than 3 hours/ day	14%	28%	58%
	Never	16%	19%	65%
Access	DSL	16%	32%	52%
	Cable	14%	28%	58%
	Optical fibre (FTTx)	15%	33%	52%
	Satellite	19%	35%	46%
	Dongle/USB/Other	12%	20%	68%
Package	Standalone	11%	21%	68%
	Bundle	16%	32%	52%

5.2.3 Consumer experience with comparison websites

Consumer survey respondents who have used a comparison website to compare offers from different providers were asked to communicate their experience by indicating all applicable items from a list of 12 relevant statements. The results, presented in the next figure, show that the four highest ranked statements are all positive ones regarding usability and usefulness. However, only 12% of the respondents in the consumer survey that have experience with comparison websites report actually finding their current provider in that manner. Although negative items are lowest ranked, the most often chosen one ('the offers I found were not up to date or complete') describes the experience of 9% of respondents who have used a CW to

find offers from different providers. In comparison, the highest ranked negative item in a similar question asked for a previous study on price comparison websites for e-commerce in goods was chosen by only 3% of respondents that had used a PCW.⁴⁸ This possibly indicates that consumer experience with comparison websites in the Internet service provision market compares unfavourably with the experience consumers have with similar tools in other markets.

Figure 37. Experience of using comparison websites (multiple answers possible)

Source: Consumer survey, Q22: Based on your experience of using comparison websites to compare offers from different Internet service providers, which of the following statements reflect your experience? (N=12827 for EU27)



A breakdown of statistics by demographics and Internet usage attributes yield further insights (see table below). Respondents aged 55 or over are more likely than younger respondents to say that comparison websites are useful for finding out information about specific offers and for finding the best available offer. At the same time, they are more likely to say that different websites show different prices, and are less likely to say that they found their current provider through a comparison website. Respondents with standalone Internet access are more likely than those with a bundle to say that comparison websites are easy to use and useful for finding customer reviews and comments. The main difference by access technology is that those with satellite access are more likely than other respondents to say they found their current provider through a comparison website, but are less likely to choose other statements, such as comparison websites are useful for finding out information about specific offers, and they are useful for finding the best available offer.

⁴⁸ See Civic Consulting 2011, Consumer market study on the functioning of e-commerce and Internet marketing and selling techniques in the retail of good, p. 67.

Table 19. Experience of using comparison websites, analysis by age, package type, and type of Internet access

	Sub-sample	Useful for finding information about specific offers	Easy to use	Useful for finding best offer available in my area	Useful for finding customer comments, reviews, ratings	Different CWs show different prices	I visited a CW operated by an independent body (a)	They have special offers that you can't find elsewhere	I visited a commercial CW (operated by a business)	Current ISP found through a CW
Average	EU27	34%	31%	30%	30%	24%	15%	12%	12%	12%
Age	15 to 24	30%	30%	28%	33%	22%	16%	16%	16%	16%
	25 to 39	31%	33%	29%	30%	21%	14%	13%	12%	12%
	40 to 54	35%	32%	31%	31%	24%	13%	11%	12%	12%
	55 +	40%	26%	34%	27%	28%	18%	11%	10%	9%
Package	Standalone	35%	37%	32%	35%	22%	12%	10%	10%	9%
	Bundle	34%	30%	30%	29%	24%	15%	12%	12%	12%
Access	DSL	35%	30%	31%	30%	25%	15%	11%	12%	12%
	Cable	34%	32%	30%	30%	25%	15%	13%	11%	12%
	Optical fibre (FTTx)	31%	32%	33%	33%	19%	16%	15%	15%	12%
	Satellite	25%	28%	18%	22%	18%	18%	14%	10%	22%
	Dongle/USB/Other	38%	32%	27%	35%	27%	11%	14%	10%	9%

Source: Consumer survey, Q22. Notes: table includes answers given by more than 10% of all respondents. (a): e.g. a government authority or consumer organisation.

5.3 FUNCTIONALITY AND USEFULNESS OF COMPARISON WEBSITES

The comparison website evaluation exercise conducted for this study provides an in-depth look at the functionality and associated usefulness of comparison websites as analysed by our mystery shoppers.

Key findings are that:

1. The evaluation of 81 comparison websites in 22 countries indicates that in many cases CWs do not appear to be providing consumers with reliable or trustworthy information on which they can make informed decisions. Only 41% of CWs were rated as helpful in allowing an informed choice;
2. The vast majority of CWs provide consumers with little or no information about how they select ISPs, how often they check offers or prices with ISPs, how their revenue is generated and in what ways that may impact on the presentation or selection of offers by the CW, or if they comply with any accreditation scheme or industry code of conduct in their operations;
3. Where mystery shoppers made identical comparisons of both ISP and comparison websites, the ratings were positive for a significantly larger proportion of ISP than comparison websites. As might be expected, this suggests it is easier to compare offers made by a single ISP on its own website than to compare offers across different ISPs using a comparison website;
4. The share of comparison websites run or accredited by regulators that are assessed positively by our mystery shoppers is higher than with non-regulator CWs: When assessed on their usefulness in allowing an informed choice, 70% of regulator-run or accredited sites were assessed positively, compared to just 36% of non-regulator CWs.

For each comparison website that was part of the exercise, mystery shoppers evaluated the information and functionality provided by the website in several key areas, including business practices, search possibilities, and the presentation of search results and offer details. Mystery shoppers took stock of the functionality of the comparison websites and analysed, among other factors:

- ▶ The types of organisations administering CWs, and their revenue sources;
- ▶ CWs' coverage of offers from different ISPs;
- ▶ Search criteria permitted by CWs;
- ▶ Rankings of search results;
- ▶ Clarity of price information and information on offers' technical aspects;

- ▶ Accuracy of information provided by CWs (in relation to corresponding offers on ISPs' websites);
- ▶ Usefulness of CWs in allowing an informed choice; and
- ▶ The performance of CWs run or accredited by regulatory authorities.

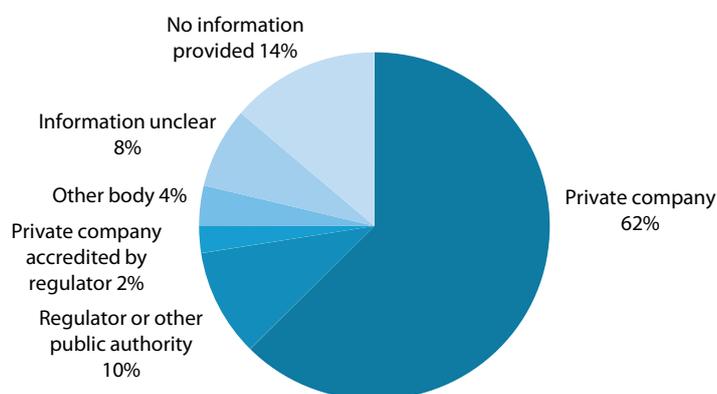
Below, we present key findings on these aspects of the 81 evaluated comparison websites, and provide the results of several general assessments mystery shoppers were requested to provide as a final step in their analysis of each comparison website. A more detailed presentation of our findings on comparison websites is included as Part 3 of this report.

5.3.1 Type of comparison website and sources of revenue

Most CWs reviewed (86%) provided some explanation of whether they were run by a private company, a regulator or an NGO, although in some of these cases the information was considered by the mystery shoppers to be unclear (8% of total). Of those CWs that provided a clear explanation, the vast majority (62% of total sample) were run by a private company. A further 10% of CWs were run by a regulator or other public authority, while another 2% were private companies that were accredited by a regulator. In 4% of cases some other type of body administered the CW: one explained that it was administered by a joint-stock company, one that it was run by a private person or group of persons and one that it was run 'independently'.

Figure 38. *Is the CW run by a private company, a regulator, or an NGO?*

Source: Civic Consulting website evaluation, Question CW15 (N=80)

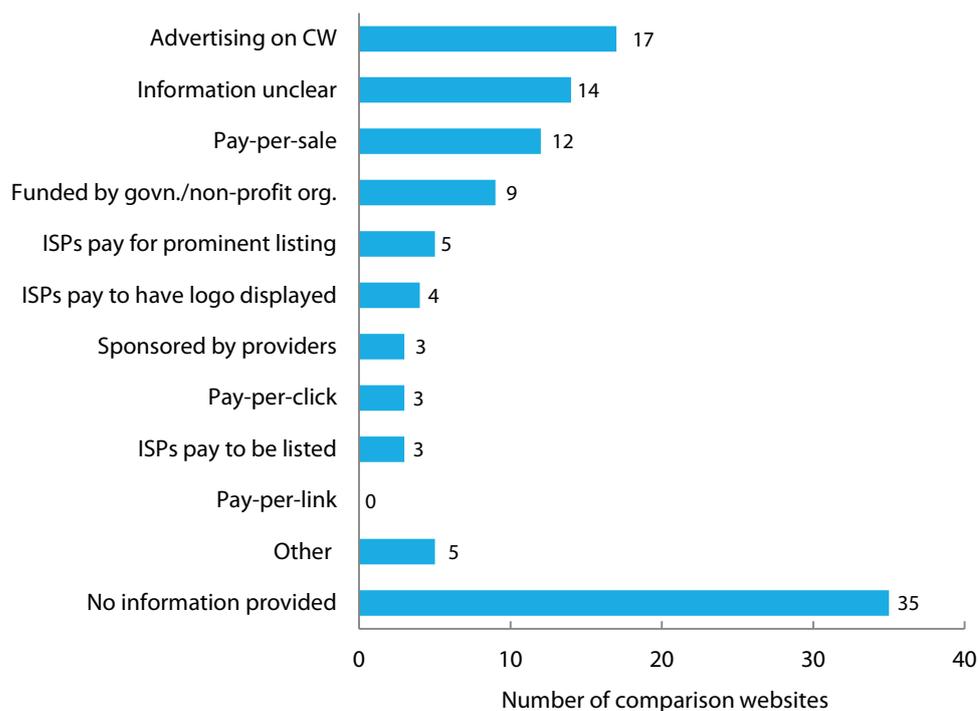


Of the 81 CWs evaluated a total of 35 were reported to provide no information about their sources of revenue (see following figure). The most common source of revenue indicated was advertising, followed by pay-per-sale. Other sources of revenue were payment from ISPs for prominent listing, payment from ISPs to have their logo displayed, sponsorship by providers, pay-per-click, and payment from ISPs to be listed at all. A further 9 CWs received funding from a government or not-for-profit organisation. Many CWs had multiple sources of revenue. In some cases CWs allow

consumers to directly initiate a switch of provider, for which the CW then receives a commission payment from the new provider. This was also experienced by our mystery shoppers, who in several cases recorded after a product search that CWs prompted them to register or purchase when they clicked on the link for the offer.

Figure 39. Specify the sources of the CW's revenue as indicated on the website (mark all items that apply).

Source: Civic Consulting website evaluation, Question CW16. (N=81)



Fourteen CWs provided information on their sources of revenue that was assessed by the mystery shoppers as unclear. For example, some of these provided information for business customers about the possibility of advertising on the CW but gave no explanation for consumers of their sources of revenue. Some CWs indicated that they receive payment from ISPs but it was not clear on what basis this was arranged (i.e. pay-per-click, pay-per-sale, etc.).

5.3.2 Coverage of offers from different ISPs

Almost two thirds of CWs (64%) provided no explanation for why some offers were listed and others not. 36% of CWs offered some information, but in many cases this was considered by the mystery shoppers to be unclear, with the result that only 21% of CWs gave an explanation for the listing of ISPs that was considered clear by mystery shoppers. Of those CWs which did give an explanation for the listing or non-listing of ISPs, some claimed to list all ISPs that were operating in the country, such as one website in the Czech Republic, which stated that it monitors all DSL providers in the country every day, so that it offers all current promotions. A couple of websites stressed that all ISPs had the opportunity to be listed, if they so wished. If there were

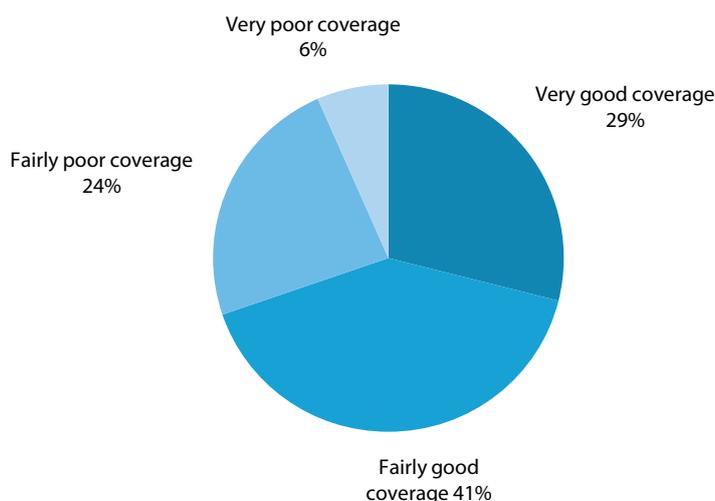
gaps in the CW's coverage of the market this was mainly due to the lack of interest of the ISPs, according to these websites. A few CWs explained that a fee was sometimes paid by the ISPs to be listed. However, most of these CWs stated that they still listed offers from ISPs that had not paid a fee.

Apart from a supplier's lack of interest or failure to pay a fee, various other reasons were listed on the CWs which might lead to an ISP not being listed. One Dutch website, for example, required that ISPs should cover at least 5% of the market, if they wished to be included on their website. One Norwegian CW explained that it only listed offers from ISPs that cover the whole country, rather than just specific regions.

After conducting up to 30 product searches on each CW, 70% of the websites were considered by mystery shoppers to provide good coverage of different Internet providers' offers (41% fairly good, 29% very good). Sometimes the mystery shoppers commented that most, or even all, nationally operating ISPs appeared to be represented. Only 30% of CWs were assessed as providing poor coverage (24% fairly poor, 6% very poor). On a few of these mystery shoppers recorded that major providers were missing.

Figure 40. How good would you estimate the coverage of offers from different Internet providers on this CW to be?

Source: Civic Consulting website evaluation, Question CW591. (N=76)



5.3.3 Search criteria

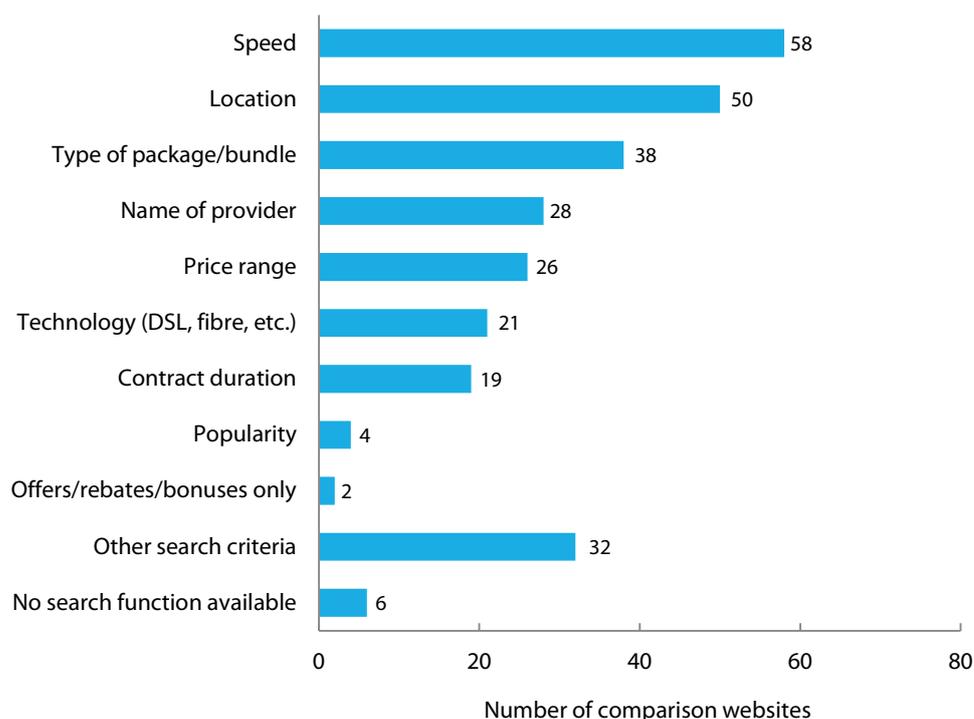
Mystery shoppers were asked to indicate the criteria that were available for searching on the CWs. Only 6 CWs failed to provide any criteria for searching the listings, while many CWs provided multiple search possibilities.⁴⁹ The most common search criteria

⁴⁹ On some of those CWs which provided multiple search possibilities these could effectively be used to filter the offers to pre-tailored product specifications. For example, one comparison website in Spain allowed for different filters such as fixed telephony, TV, mobile phone calls, and mobile Internet. Additionally, offers could be ranked by other categories like popularity, connection speed, contract length, first year payment, and monthly payment.

provided was speed, followed by location,⁵⁰ type of package/bundle, name of provider, price range, type of technology, and contract duration. On a small number of CWs it was also possible to search by popularity and for products that come with offers, rebates, or bonuses (see following figure).

Figure 41. Search features available on CWs

Source: Civic Consulting website evaluation, Question CW24. (N=81)



On 32 CWs mystery shoppers came across search criteria that they categorised as other, such as searching for offers with a particular download limit, searching for particular phone tariffs for double play bundles (e.g. flat rate, free evening and weekend calls), or searching for triple play bundles that included particular TV channels.

Mystery shoppers were also asked to record the available methods to search by location on the CWs. Some CWs provided multiple options to search by location, but most CWs offered only one option. The most common method was post code (17 CWs), followed by region (15 CWs), city (12 CWs), phone number (10 CWs), full address (6 CWs) and phone area code (3CWs).

5.3.4 Ranking of search results

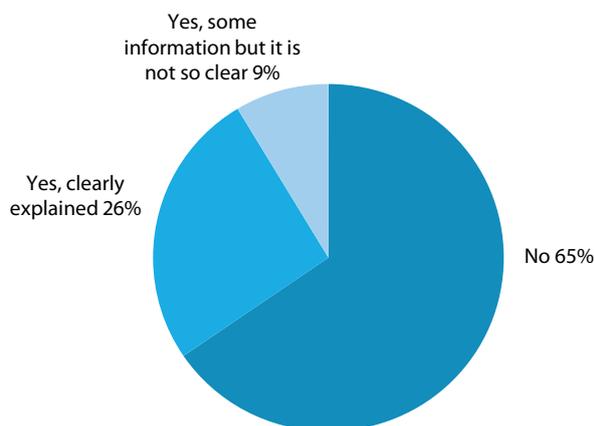
Mystery shoppers were asked to look for an explanation of the default ranking of search results. Almost two-thirds of CWs (65%) did not give an explanation. In 35% of

⁵⁰ It should be noted that comparison websites with search by location functionality were preferred in the selection of websites to be evaluated in this study.

cases there was some explanation provided, but 9% of CWs gave an unclear explanation of the default ranking, meaning only a quarter of CWs (26%) offered information that was considered by the mystery shoppers to be clear (see following figure).

Figure 42. *Is there a clear explanation of the default ranking of search results (the view that appears first)?*

Source: Civic Consulting website evaluation, Question CW14. (N=81)



Where information about default ranking of results was provided, the most common explanation given was that the ranking was based on price, with the lowest price appearing first. Some websites specified the price information used for the ranking, such as average monthly price or total first year cost. One Greek website explained that it based the ranking on customer reviews, while one Belgian website explained that the ranking was based on customer reviews, according to the last barometer prepared by this comparison website. Only one French website made it clear that the default ranking of ISPs would be determined by the fee that they had paid.

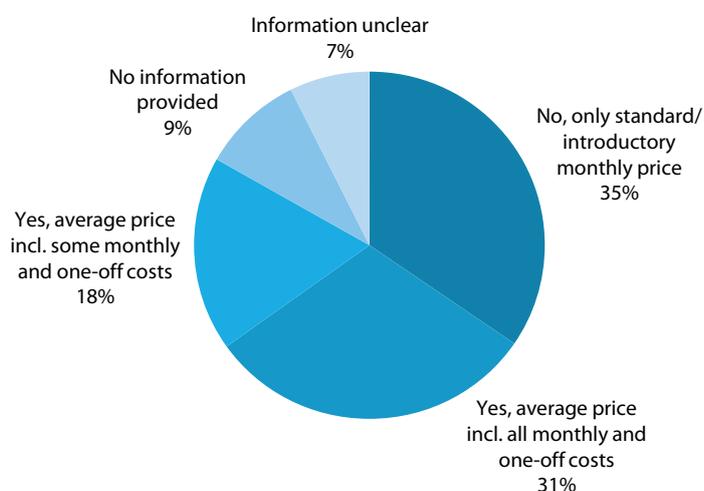
5.3.5 Clarity and understandability of price information

In just under half (49%) of search trials,⁵¹ CWs offered the option to see an average price that included some or all monthly and one-off costs – in 31% of cases this was an average price including all costs, while in 18% of cases an average price including some costs was offered (see figure below). However, in 35% of search trials, CWs only offered the standard or introductory monthly price. In a further 9% of searches, there was no information provided by CWs as to what components the price included and in 7% of searches, the information on CWs was unclear.

⁵¹ After assessing the provision of general information on comparison websites (i.e. contact information, business and commercial practices, and search functionality), mystery shoppers searched for each of five pre-specified products on each CW. Accordingly, we discuss the number of search trials here rather than the number of comparison websites.

Figure 43. Does the CW offer the option to compare prices that include all monthly costs (including line rental) and all one-off costs and rebates, averaged over a certain period (e.g. six months, one, or two years)?

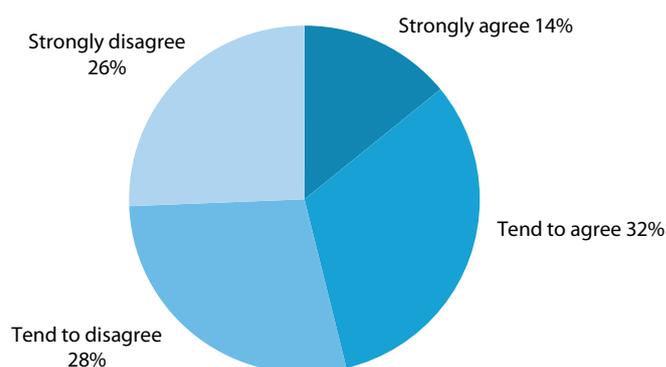
Source: Civic Consulting website evaluation, Question CW31. (N=298)



After concluding the exercise, our mystery shoppers provided a summary assessment of the extent to which each CW provided clear and understandable price information. Overall, just under half (46%) of the CWs presented price information in a manner that was considered to be clear and understandable by the mystery shoppers (32% tend to agree, 14% strongly agree). On the remaining 54% of CWs the mystery shoppers disagreed that this was the case and felt that the price information tended to be unclear or non-understandable (28% tend to disagree, 26% strongly disagree).

Figure 44. Indicate your level of agreement with the following statement: 'This CW provided clear and understandable price information'.

Source: Civic Consulting website evaluation, Question CW594. (N=78)



Mystery shoppers considered the price information on some CWs to be unclear because it was incomplete or inconsistent. On some CWs the prominently displayed price, or indeed the only price given, was an introductory price which expired after a certain number of months. This led to some products being listed as costing nothing at all, because they came with a certain number of free months. Another problem

observed by mystery shoppers was that important price elements, such as activation fee or equipment costs, were not included, unclear, or hard to find. This was also observed by other mystery shoppers in their comments to the question on price comparability. Additionally, on five CWs, all from the UK, the mystery shopper specified that line rental was not included in the listed price. Further problems were caused where the price information was inconsistent. For example, for some offers the standard monthly price was listed, while for others only the introductory price.

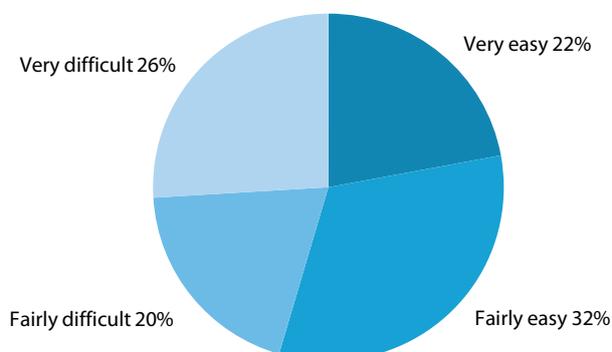
Some websites presented the option of seeing the total first year cost or average monthly cost (including one-off costs and line rental). Several mystery shoppers commented that this helped them to understand the full price of the offers.

5.3.6 Comparison of offers' technical aspects

On more than half of CWs (54%) mystery shoppers indicated that they could either fairly or very easily compare the technical aspects of different products (32% and 22% respectively). However, 46% of CWs were rated negatively in this regard (20% fairly difficult, 26% very difficult). These results on comparisons of offers' technical aspects are markedly worse for the CWs than the individual ISP websites. Whereas comparisons of technical aspects were characterised as easy on 54% of CWs, this was the case on 78% of evaluated ISP websites (see Section 4 for a detailed discussion of the results of our exercise regarding ISP websites). This means the percentage of CWs on which it was difficult to compare offers' technical aspects is more than twice as high as the percentage of ISP websites for which this was the case. This finding may be somewhat mitigated by the notion that comparing technical aspects across different providers' offers is generally more difficult than comparing these aspects among the offers of a single provider. Nonetheless, the poor overall performance of the CWs with respect to technical comparisons is notable.

Figure 45. Did you find it easy to compare the technical aspects of different offers on the comparison website?

Source: Civic Consulting website evaluation, Question CW590. (N=77)



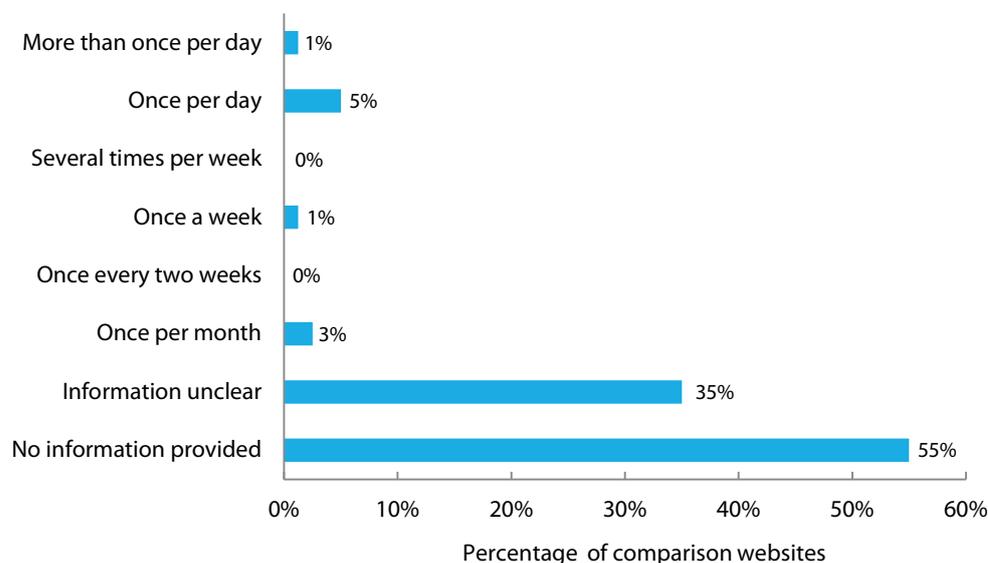
Judging by the frequency of the comments provided by mystery shoppers, one of the common problems encountered was that it was impossible to filter or rank the results according to technical aspects, such as speed or bundle type. In addition, some CWs did not display all the relevant information on products' technical aspects. On one Irish CW, for example, the mystery shopper commented that the download speed was not clearly displayed in the listings and only became visible when one clicked on the offer itself. On two other CWs the mystery shoppers stated that the download speed was the only technical information provided, while one CW only displayed download speed and type of technology. On one UK CW the mystery shopper specified that upload speed was missing and in the case of one Norwegian CW it was recorded that no download limit was displayed.

5.3.7 Frequency of offer updates

Only 10% of CWs gave clear information about the frequency with which offers were updated. The most common explanation was that offers were updated daily (5%). Another 3% of CWs claimed to update offers on a monthly basis. A few CWs explained that offers were checked once a week (1%) or more than once per day (1%). However, this information is not necessarily representative as more than half of the CWs (55%) provided no explanation of how often offers were updated.

Figure 46. How frequently are offers listed on the CW updated, according to the information provided?

Source: : Civic Consulting website evaluation, Question CW17. (N=80)



In around a third of cases (35%) the CWs provided information that was unclear. From the comments recorded by mystery shoppers it is clear that in more than a third of these CWs explained that offers were updated ‘regularly’, ‘frequently’, ‘constantly’, etc. One quarter displayed the last day on which offers were checked. In two-thirds of these cases the offers had been updated at some point within the previous two weeks. In one-third of cases the date given as the last update was the day on which the website was evaluated for this study. However, on one website the offers had not been updated for more than three months.

5.3.8 Accuracy of information provided

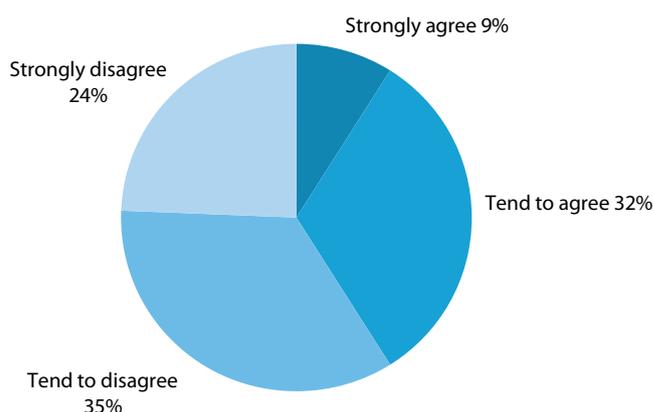
Mystery shoppers were asked to assess the accuracy of information provided on the CW when compared with the information given on the ISP website. Not all CWs were assessed in this manner because some did not provide a direct link to the corresponding offer on the ISP's website. Other CWs required the user to register before accessing direct links to ISP websites. Of those CWs which were evaluated in this manner, only a portion were assessed as providing accurate information. Some of the inaccuracies were caused by the existence of additional cost components that were not listed on the CW. On other CWs, however, the mystery shoppers commented that price information given by the CW was clearly wrong or out-of-date. Sometimes the price differences were small, but in one case the inaccuracy in price information amounted to more than a hundred Euro (when considering the yearly price). In other cases the description of the technical aspects, such as download speed, did not match that on the ISP websites. Indeed, on several occasions the offers identified by the CW did not appear to exist on the website of the ISP at all.

5.3.9 Usefulness in allowing an informed choice

Less than half of the CWs (41%) were characterised by mystery shoppers as helpful in allowing them to make an informed choice (32% tend to agree, 9% strongly agree). Mystery shoppers disagreed that CWs were helpful in this regard in 59% of cases (35% tended to disagree, 24% strongly disagree).

Figure 47. Indicate your level of agreement with the following statement: 'I found this CW to be useful in allowing me to make an informed choice'

Source: : Civic Consulting website evaluation, Question CW593. (N=78)



As on other aspects discussed above, the ISP websites were rated more highly in this regard than the CWs. Whereas only 41% of CWs were ultimately deemed helpful in allowing an informed choice, nearly two thirds (64%) of ISP websites were rated as useful in this sense (see Section 4.1).

Some examples were mentioned by the mystery shoppers in their comments as to why they did not consider the CWs to be helpful in making an informed choice. For example, some mystery shoppers highlighted the lack of sufficient search possibilities, while others mentioned incomplete or unclear price information or missing technical information. Mystery shoppers also indicated that they would have to do further research in order to be able to make an informed choice, for example by visiting the websites of the ISPs. As a result, one mystery shopper indicated in regard to a Finnish CW that it offered no advantage over searching the ISP websites themselves.

5.3.10 The performance of regulator-run or accredited comparison websites

One notable aspect of the business practices of evaluated comparison websites is that industry-level accreditation schemes and codes of conduct have not been widely adopted. Only in a few cases did mystery shoppers determine that a CW belonged to an accreditation scheme; on all other CWs information relevant information was unclear or not provided. Very few CWs (5%) stated that they belong to an industry code of conduct (information was absent or unclear on the other 95% of CWs).

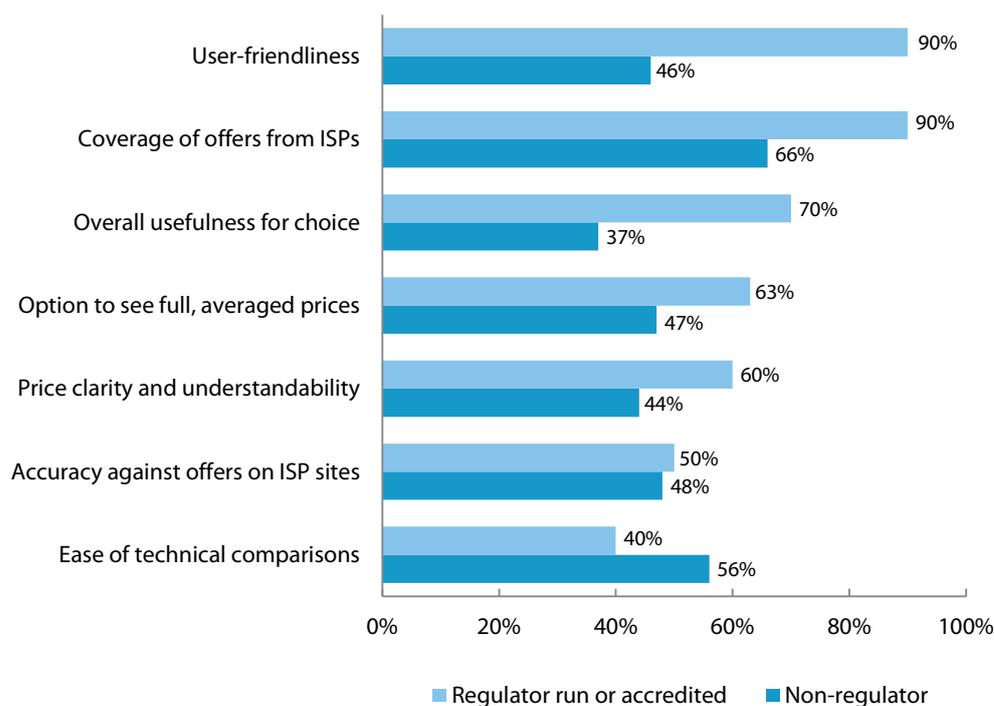
There were, however, 10 CWs in our sample of comparison websites which were administered by a regulatory authority or accredited by the same. That leaves a sample of 71 CWs which were run by other types of organisations and not accredited by a regulatory authority (see Figure 38 above on the type of organisations administering CWs). Countries with a regulator-run or accredited CW evaluated during the exercise include Austria, Denmark, Finland, Hungary, Ireland, Italy, Norway, Portugal, Sweden, and the United Kingdom.⁵²

When the results presented in the previous sub-sections are broken down along this dimension (i.e. regulator-administered or accredited CWs, on the one hand, and non-regulator CWs, on the other), differences in the average assessments made by mystery shoppers are noticeable, as depicted in the table below.

Figure 48. Mystery shoppers' overall assessments of CW usability, analysis by site administration and accreditation

Source: Civic Consulting website evaluation, Questions CW 31, 588, 590, 591, 592, 593, 594.

Note: Figure shows the percentage of CWs which were positively assessed by mystery shoppers on the indicated items (positive ratings include, e.g. very/fairly user-friendly, strongly/tend to agree, very/fairly accurate; the item 'Option to see full, averaged prices' was positively assessed if all or some one-off costs were included in the average price). All questions were answered by mystery shoppers once per CW evaluation, except 'Option to see full, averaged prices'. The findings for that item are based on price presentations for 298 individual search trials (mystery shoppers searched for up to five pre-defined products on each CW).



Overall, it is clear that regulator-run or accredited CWs were more favourably assessed by mystery shoppers than non-regulator CWs on almost all of the dimensions discussed in this section:

⁵² For example, according to the Ofcom accreditation scheme for price comparison websites, accredited price comparison calculators must be accessible, accurate, transparent, and comprehensive (for the detailed list of approval criteria, see: <http://stakeholders.ofcom.org.uk/consultations/ocp/statement/guidelines/>).

- ▶ For example, 90% of regulator-run or accredited CWs (9 of 10) were judged to have good or fairly good coverage of ISPs, compared to 66% of non-regulator CWs;
- ▶ Similarly, while 90% of regulator run or accredited CWs (9 of 10) were judged to be very or fairly user friendly, only 46% of non-regulator run CWs were assessed in that way;
- ▶ When assessed on their usefulness in allowing an informed choice, 70% of regulator-run or accredited websites (7 of 10) were assessed positively, compared to just 37% of non-regulator CWs. For none of the regulator-run or administered websites did mystery shoppers strongly disagree with the notion that the website was useful in allowing an informed choice. Conversely, this was the case for 28% of non-regulator CWs.

These results should not, however, be interpreted as suggesting that regulator-run or accredited CWs are without flaw. Several comments are relevant in this regard:

- ▶ The sub-sample of regulator-run or accredited CWs is composed of only 10 websites, which limits the strength of any conclusions that can be drawn;
- ▶ Of the seven websites that were rated most positively regarding their usefulness in allowing an informed choice, only two were regulator-run or accredited. In other words: More non-regulator than regulator websites were assessed most positively in this respect. The problem therefore appears not to be that non-regulator websites cannot be useful in allowing an informed choice – it is just that in the category of CWs without regulator involvement or approval a large number of websites were rated so poorly that the positively assessed 'good websites' are outnumbered.
- ▶ On one important point of assessment – ease of technical comparisons – non-regulator CWs were actually rated more positively by mystery shoppers;
- ▶ Similar numbers of positive ratings were achieved by both sub-groups on the item 'accuracy of the CW when compared with the information given on the ISP website', with half of regulator-run or accredited CWs being assessed negatively;
- ▶ Evaluation of mystery shoppers' commentary on individual CWs makes clear that problems were experienced with CWs in both sub-groups.

5.3.11 Conclusion

In many cases CWs do not appear to be providing consumers with reliable or trustworthy information on which they can make informed decisions. While evaluated CWs often ranked offers accurately by price and allowed mystery shoppers to locate the lowest priced provider, with regard to other analysed functions and information components, the CWs, on average, were rated fairly poorly. It is worth noting that some individual CWs, particularly but not exclusively the regulator-run or

accredited variants, provided mystery shoppers with helpful service. Nonetheless, the overall assessments suggest that consumers are often not able to rely on the accuracy of the information provided to them by CWs.

The website evaluation result that only 41% of CWs were rated as helpful in allowing an informed choice is also largely consistent with the consumer survey finding presented above that only 31% of EU27 respondents with experience comparing offers on comparison websites found them easy to use, and only 34% found them helpful for learning about a specific offer (Figure 37).

Notably, there were some factors highlighted by mystery shoppers as particularly user-friendly. Considering mystery shoppers' comments associated with those CWs that they assessed as very user friendly, these factors include: 1) a clear and simple interface; 2) the availability of multiple precise search filters allowing one to filter offers according to various product criteria and rankings; 3) a lowest-price-first default view of search results; 4) results that are clearly presented on one page in large font; 5) prices that include all costs – and definitely line rental fees, if applicable – for a given period (one mystery shopper commented that such costs were visible on a CW for the first and second year of the subscription); and 6) clear/comparable display of relevant technical information.

Also of note is that where mystery shoppers made identical comparisons of both ISP and comparison websites (i.e. on user-friendliness, ease of comparing technical aspects of offers, clarity of price info, and usefulness in allowing an informed choice), the ratings were positive for a significantly larger proportion of ISP than comparison websites. This suggests it is easier to compare offers made by a single ISP on their own website than to compare offers across different ISPs using a comparison website.

In sum, the results reported throughout this section suggest that many of the evaluated comparison websites generally perform unsatisfactorily, or at least not in a manner that helps to inform consumer choice in the market. This indicates that a key question may not be related to the availability of multiple CWs in a given country, but whether the existing ones are actually usable and useful for consumers.

While much of the assessed ineffectiveness of CWs is due to individual CWs' limited or poor functionality or to insufficient presentation of information, it likely also reflects the difficulty both CWs and consumers face in comparing substantively different contractual arrangements, product bundles, technical specifications, and pricing schemes offered by competing ISPs. Add to this mix factors such as introductory pricing periods; the inconsistent application or absence of various charges, e.g. installation or equipment fees; and a variety of contract periods / termination fees and the difficulty of ensuring realistic offer comparisons becomes clear.

6 SWITCHING

This section discusses switching behaviour and processes in the 29 countries covered by this report. It examines the drivers of switching, the perceived barriers to switching, and users' actual switching experiences, plus it provides an in-depth assessment of the potential economic benefits of switching.

Switching is an important feature of a competitive market: it is both an indication of the perceived competitiveness of a market and a driver of that competitiveness.

Consumers switch primarily because they believe that they can get a better service, better product, or better price from the new supplier. Consumers do not only switch to get a lower price, they may also switch to get an improved service. In the context of broadband this may mean a higher connection speed or a bundle of services that better meets the individual consumer's preferences.

This means that at least some consumers must believe that there are better deals available (i.e. ones that more fully meet their preferences) than they receive from their current provider, allowing for any switching costs. If no such belief exists in the market then consumers will have no motivation to switch. Suppliers must also believe that they can attract new customers by making a better offer than their competitors. This leads to an irony, in that if consumers do not believe they can get a better deal and therefore don't switch, suppliers have no incentive to offer a better deal so prices may increase towards the monopoly level.⁵³ So, the more homogeneous suppliers' offers are, or are expected to be, the less incentive there is to switch and therefore the less incentive there is for suppliers to offer improved services.

Consumers therefore need to be empowered to switch, meaning that they need to have the information to make choices between suppliers and must not face excessive costs for switching. In a behavioural sense, switching costs are the actual or perceived costs incurred by a switching consumer but not incurred by one who stays with their current provider. Xavier and Yspilanti⁵⁴ refer to research conducted by Ofcom in 2006 that points to five important deterrents to switching:

1. Lengthy and cumbersome procedures;
2. Early exit charges;
3. Confusing products and opaque pricing;

⁵³ Waterson, M. (2003) 'The role of consumers in competition and competition policy', *International Journal of Industrial Organization* 21 (2003), p. 129–150.

⁵⁴ Xavier, P. and Yspilanti, D. (2008) 'Switching costs and consumer behaviour: implications for telecommunications regulation', *Info* 10 (4).

4. Technical incompatibility of equipment; and
5. Long term deals.

These issues, including the extent to which our research has found the just-mentioned items to constitute barriers to switching, are discussed in detail in the sections that follow. The first of these sections, 7.1 on switching behaviour, examines the following topics:

- ▶ Overall switching rates;
- ▶ Rates broken down by socio-demographic group;
- ▶ Trends in product choice;
- ▶ Internal switching rates (changing tariff or package with the same provider);
- ▶ Factors motivating consumers to switch provider; and
- ▶ Barriers to and reasons for not switching.

The next section (7.2) then analyses the switching process, including formal switching arrangements employed across the EU; average personal time spent on switching; the assessed ease of the process; problems experienced by those who have switched; and the average duration of connection outages that result from the procedure.

Subsequently, in Section 7.3 we look at satisfaction levels reported by those who have switched, namely consumer survey respondents and the participants in the switching exercise carried out for this study in six countries.

The next two sections, 7.4 and 7.5, focus on potential savings from switching provider. The first presents self-reported monthly savings as identified by consumer survey respondents, while the second provides the results of our detailed calculation estimating the aggregate and average household savings achievable by switching in all 27 EU Member States, plus Iceland and Norway. Prior to these latter results, the methodology used to calculate the figures is summarised.

Finally, in Section 7.6, we analyse potential facilitators of switching behaviour, drawing on consumer survey respondents' indications and our website evaluation of broadband-focused comparison websites across the European Union, plus Iceland and Norway.

6.1 SWITCHING BEHAVIOUR

In this section we present data collected on switching rates; the socio-demographics of switching; trends in package choice; internal switching rates; and the reasoning of 'switchers', as well as that of 'considerers' and definite 'non-switchers' regarding important factors in the decision of whether to switch provider.

The key findings are that:

1. Across the European Union, only about 10% of households have changed their Internet service provider, according to Eurobarometer data; the highest switching rate is seen in Finland, while the lowest reported rate is in Hungary;
2. Our consumer survey results show that the proportion of switchers is higher in metropolitan areas than in rural zones or villages and that age also appears to have an effect on switching, with more people over the age of 55 identifying themselves as 'non-switchers' than in the three other age categories;
3. Consumer survey respondents who switched are more likely to have had standalone Internet access with their previous connection (22%) than with their current connection (12%);
4. A significant proportion (44%) of respondents have switched tariff or package with the same provider; and it appears that the threat of switching is being used to negotiate a better price (19% of 'considerer' respondents indicated that they have not switched because they want to see if their ISP offers a better deal first);
5. The driver of switching most often cited by consumer survey respondents is price: 46% of respondents who had switched identified the availability of a lower price as a reason for changing provider;
6. A second key driver is connection speed: 28% of switchers responding to the survey indicated that a 'slower than it should be' connection speed with their previous provider served as an impetus to switch provider;
7. The principal barriers for those respondents who considered switching but did not switch were the expected direct costs of switching, in particular a penalty for leaving their current supplier or additional fees for switching; reluctance to leave a 'known' company; and lack of time/ difficulty in comparing offers;
8. The two main reasons why consumer survey respondents did not even consider switching are satisfaction with their current provider and a belief that their provider offers them the best value for money.

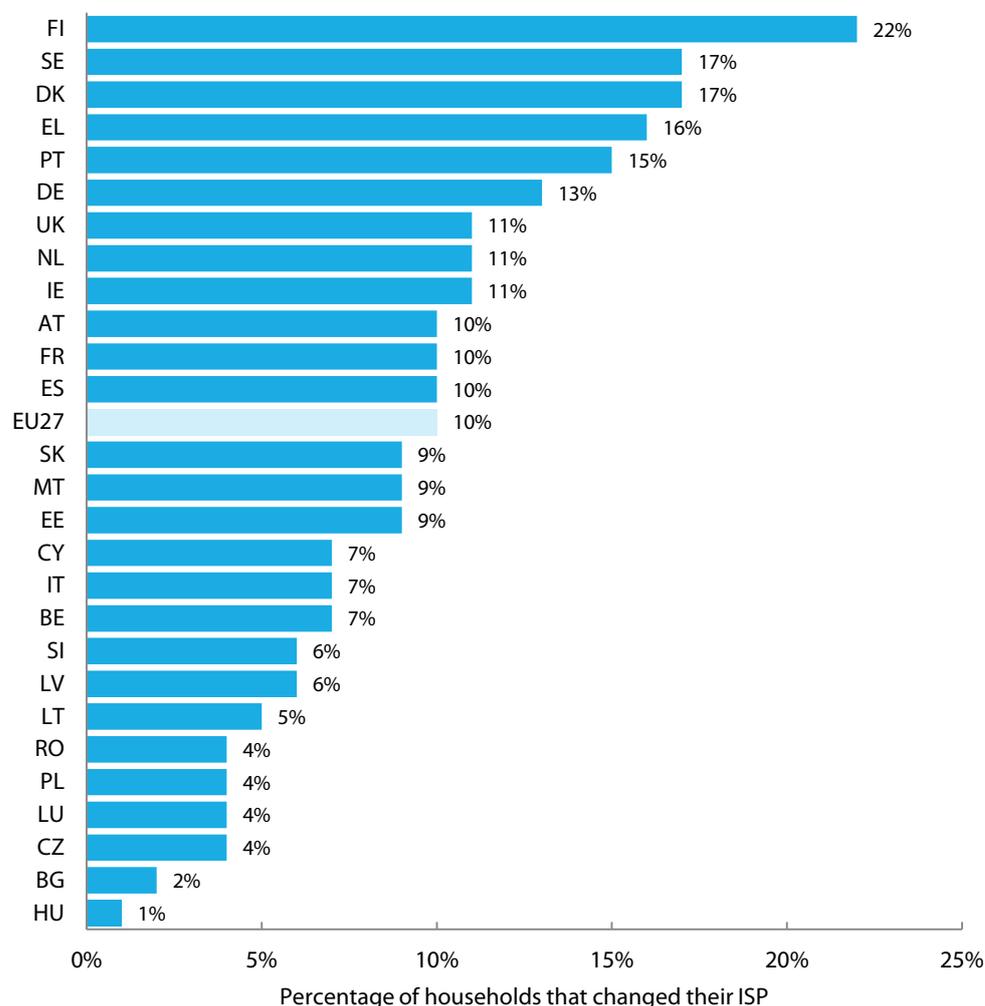
6.1.1 Switching rates

Across the European Union, only about 10% of households have changed Internet service provider (ISP), but with some significant country variations (see figure below). The highest switching rate is in Finland (22%), while the lowest rate is in Hungary (1%). In fact, the average for the EU12 is just 5.5%, compared with 12.1% for the EU15.

All of the EU12 Member States have a switching rate below the EU average, whereas all of the EU15 Member States except Belgium (7%), Italy (7%), and Luxembourg (4%) have switching rates above the average.

Figure 49. *Percentage of households that switched their ISP*

Source: Special Eurobarometer E-communications Household Survey, July 2011, QC8: Have you or someone in your household ever considered changing Internet service provider? Figure refers to respondents that answered "Yes, you or someone in your household has already changed provider". (N=16757)



6.1.2 The socio-demographics of switching

Data presented in the figure above is based on a recent Eurobarometer survey. Due to the online survey methodology employed for our consumer survey, the percentage of respondents who have switched their provider is higher in our sample, because online respondents are more likely to be savvy Internet users. Our survey results provide relevant insights to the socio-demographics of switching behaviour, which are shown in the table below.

Table 20. *Switching behaviour over the last 3 years, analysis by age, education, locality, provider, Internet usage for business, package type, and connection speed*

Source: Consumer survey, Q4: Over the last 3 years, have you switched (i.e. changed) or thought about switching your Internet service provider? (N=27668 for EU27)

	Sub-sample	Switchers	Considerers	Non-Switchers
Average	EU27	40%	32%	28%
Age	15 to 24	45%	30%	25%
	25 to 39	44%	33%	23%
	40 to 54	39%	34%	27%
	55 +	32%	31%	37%
Education	Elementary school or less	41%	23%	36%
	Some high school	38%	30%	33%
	High school graduation	38%	33%	29%
	University graduation	42%	33%	25%
	Post-graduate degree	41%	35%	24%
	Other qualification	35%	28%	37%
Locality	Metropolitan	43%	32%	25%
	Urban centre	40%	33%	27%
	Rural/Village	36%	32%	32%
ISP	Incumbent	30%	38%	33%
	Others	44%	30%	26%
Usage - Business	3 or more hours/day	42%	34%	24%
	Less than 3 hours/day	39%	34%	27%
	Never	37%	26%	37%
Package	Standalone	34%	28%	38%
	Bundle	41%	33%	26%
Speed	Up to 2 Mbps	36%	37%	28%
	>2 to 12 Mbps	40%	32%	28%
	>12 to 30 Mbps	41%	31%	28%
	More than 30 Mbps	43%	24%	33%

Age appears to have an effect on switching, with more people over the age of 55 identifying themselves as ‘non-switchers’: 37% compared with no more than 27% in the three other age categories.

In terms of education, the proportion that have actually switched provider is consistent, but less highly educated people are less likely to consider switching. Thus, just 23% of those educated to no more than elementary (primary) school level are ‘considerers’.

There are also differences by locality: the proportion of switchers is higher (43%) in metropolitan areas than in rural zones or villages (36%). This difference may be caused by a perception of less choice amongst rural dwellers, where survey respondents identified fewer available ISPs (see the previous section on offer

availability for more details), or may reflect some other demographic or behavioural characteristic of rural dwellers: for example if older people tend to live outside of metropolitan areas, and fewer of them switch, we would expect to see less switching in rural zones and villages.

Respondents who currently use the incumbent provider in their country are less likely to have switched provider (30% of respondents currently with the incumbent compared to 44% currently with other providers), although a relatively high proportion of those using the incumbent provider have considered switching (38%). Respondents with a bundle are more likely than those with standalone access to be 'switchers' (41% compared with 34%), and there is a relatively large proportion of standalone Internet users in the 'non-switchers' category (38% of those with standalone access are 'non-switchers').

The proportion of 'considerers' is relatively high among respondents from households that use the Internet at home for business (34%), while those who do not use the Internet at home for business are more likely to be 'non-switchers' (37%). This is linked to the findings on age, as older people are less likely to use the Internet at home for business.

Switchers tend to have higher connection speeds (with their current provider): 43% of respondents with a connection speed in excess of 30 Mbps have switched, while 36% of those with connection speeds at or under 2 Mbps have done so.

One particularly interesting finding is that the proportion of respondents that has considered switching is higher among those with slow connection speeds (37% with a speed of up to 2 Mbps) than amongst those with fast connection speeds (24% with a speed of more than 30 Mbps). This finding implies that consumers are willing to switch supplier, as well as technology, to increase their connection speed. Given that ADSL has a maximum download speed of around 24 Mbps, obtaining speeds of more than 30 Mbps requires either a fibre or cable connection.

Overall, therefore, switchers tend to be younger, urban dwellers that are more active users of the Internet and less likely to be using the incumbent's ISP. They are also more likely to be found in the EU15.

6.1.3 Trends in package choice

Consumer survey respondents who had switched provider in the last three years were asked about the package that they had with their previous provider. The majority had a bundle, most commonly covering the Internet with fixed telephony (41%). Twenty-two percent had standalone access with their previous connection.

Below, Figure 50 compares the details of respondents' previous connections with those of their current connections (for the 'switcher' sub-sample). As it shows, respondents are more likely to have had standalone access with their previous

connection than with their current connection (22% compared with 12%). This is mainly the result of an increase in packages including both fixed telephony and TV (with or without other services such as mobile telephony or mobile Internet). For example, after switching respondents are more likely to subscribe to the classic triple play package (Internet + fixed telephony + TV): 18% of respondents who switched now have this bundle, whereas only 11% of this sample had it with their previous connection.

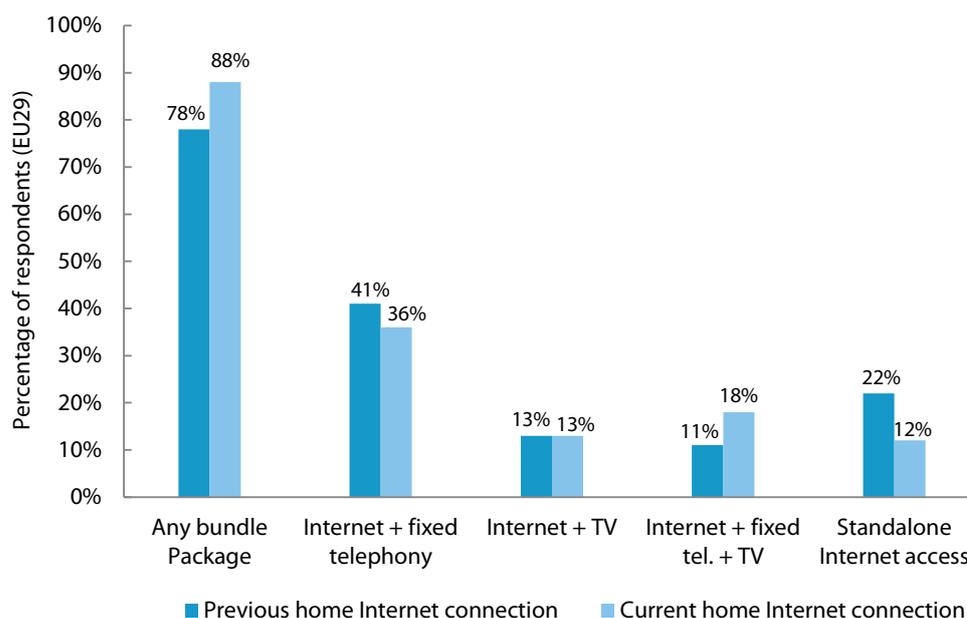
Figure 50. Package with previous and current home Internet connection

Source: Consumer survey, Q2 and Q5.

Q2: Does your main home Internet connection come with any of the following services as part of the same package?

Q5: Before you switched, did your previous home Internet connection come with any of the following services as part of the same package?

Note: only those packages with more than 5% uptake among all relevant survey respondents are shown. (N=11598 for all 29 countries)



The table below makes it possible to examine switching patterns in detail. It is clear that the majority of respondents switched to the same type of package in the categories 'Internet and fixed telephony and TV and mobile Internet' (69%), 'Internet and fixed telephony' (62%), 'Internet and fixed telephony and TV' (55%), and 'Internet and TV' (51%). More than one third of respondents who previously had standalone Internet access chose to remain with this type of service. Similarly, for the other categories, respondents most often chose to remain with the same type of package.

Table 21. Comparison of previous and current service

Q5. Before you switched, did your PREVIOUS home Internet connection come with any of the following services as part of the same package?

		Inter- net + TV	Inter- net + fixed tel.	Inter- net + mobile tel.	Inter- net + mobile Inter- net	Inter- net + fixed tel.+ mobile Inter- net	Inter- net + fixed tel. + TV	Inter- net + fixed tel. + mobile tel.	Inter- net + fixed tel.+ mobile tel. + TV	Inter- net + fixed tel. + TV + mobile Inter- net	Other pack- age	Stand- alone Inter- net access
Q2. Does your main home Internet connection come with any of the following services as part of the same package?	Internet + TV	51%	6%	8%	12%	10%	7%	7%	1%	4%	9%	12%
	Internet + fixed telephony	12%	62%	25%	16%	15%	14%	18%	18%	3%	35%	23%
	Internet + mobile telephony	2%	2%	32%	10%	3%	0%	7%	0%	0%	2%	3%
	Internet + mobile Internet	2%	1%	8%	24%	4%	0%	0%	0%	2%	1%	2%
	Internet + fixed tel. + mobile Internet	2%	3%	4%	13%	42%	2%	11%	3%	3%	1%	1%
	Internet + fixed tel. + TV	14%	14%	7%	8%	12%	55%	14%	11%	3%	22%	14%
	Internet + fixed tel. + mobile tel.	1%	3%	1%	0%	3%	2%	24%	5%	2%	3%	3%
	Internet + fixed tel. + mobile tel. + TV	3%	3%	6%	4%	6%	12%	13%	46%	12%	4%	3%
	Internet + fixed tel. + TV + mobile Int.	3%	2%	5%	5%	3%	5%	5%	12%	69%	5%	1%
	Other package	1%	1%	0%	1%	0%	1%	0%	1%	0%	16%	1%
Standalone Internet access	9%	4%	5%	6%	2%	3%	2%	1%	3%	3%	37%	

Source: Consumer survey, Q2 and Q5. (N for EU27, plus Iceland and Norway=11598)

6.1.4 Switching internally – changing tariff or package with the same provider

In apparent agreement with the Eurobarometer results presented above, most stakeholders interviewed for this report indicated a generally low level of switching in the broadband market. For example, one consumer organisation said the following:

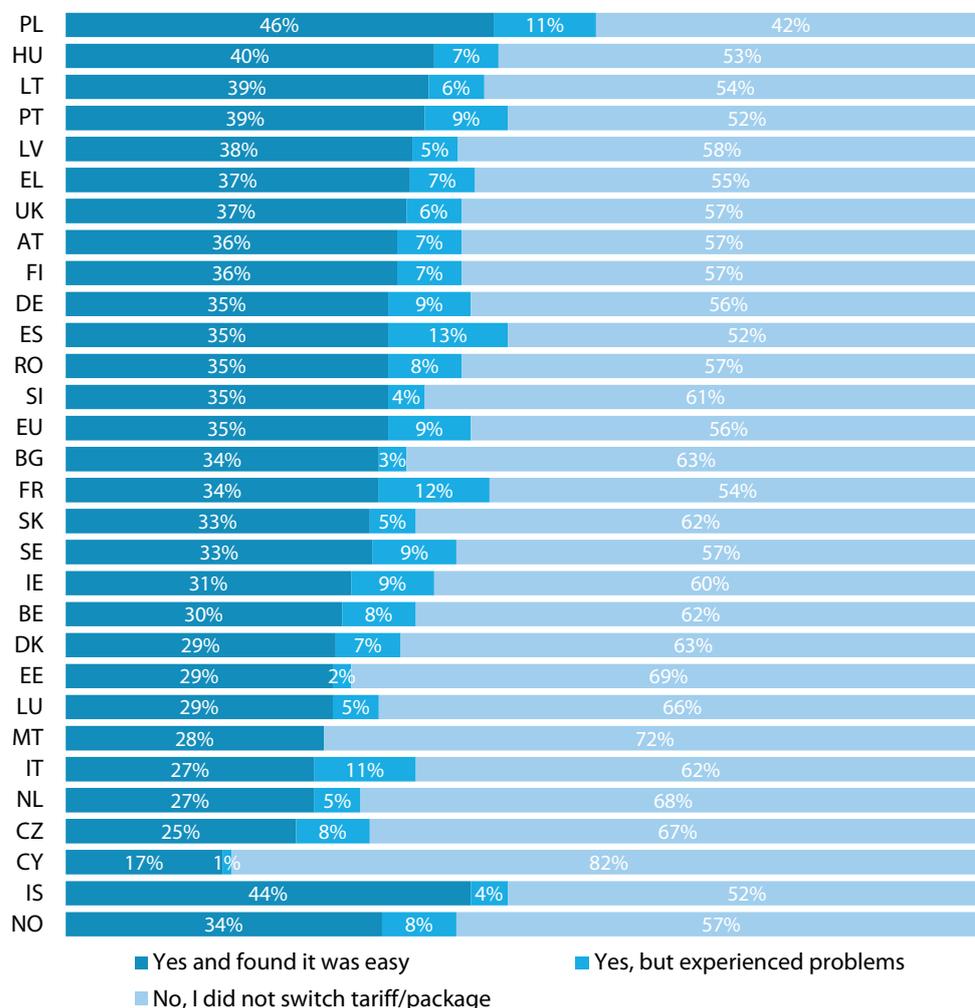
“The number of consumers switching is quite low. It’s not as high as it should be. [...] Only 10% of consumers in the UK were really keen on switching” (Consumer organisation).

The actual level of switching between providers may not, however, be entirely indicative of the competitiveness of the market. Consumer survey respondents were found to use the threat of switching as a tool to negotiate a better deal with their ISP and so gain the benefit of switching without actually doing so (see Section 6.1.6 on reasons for not switching). Specifically, 19% of those respondents who had considered switching but not yet done so reported that one reason for their hesitation was that they were waiting for their current ISP to make them a better offer. The survey also found that 44% of respondents had switched tariff or package with their current ISP during the last three years. It is the combination of actual switchers and those that use the threat of switching to obtain a better deal that places competitive pressure on ISPs to offer attractive price/quality combinations.

As shown in the next table, switching of tariff or package with the same Internet provider was most common among respondents in Poland (57%), Portugal (48%), Spain (48%), and Iceland (48%) and least common in Cyprus (18%), Malta (28%), Estonia (31%), and the Netherlands (32%).

Figure 51. Switching tariff or package with the same provider, analysis by country

Source: Consumer survey, Q17: Over the last 3 years, have you switched tariff or package with the SAME Internet service provider? (N=27668 for EU27 / 29243 for all countries)



Internal switchers (i.e. with the same ISP) are most likely to be male, living in metropolitan areas, and active business users (see table below). Respondents who reported that they had only one ISP in their home area were more likely to switch within their supplier (65%) than those with three or more available ISPs (49%).

Table 22. *Switching tariff or package with the same provider, analysis by gender, age, locality, number of ISPs, Internet usage for business, package type, and type of Internet access*

Source: Consumer survey, Q17.
(N=27668 for EU27)

	Sub-sample	Yes and found it was easy	Yes, but experienced problems	No, I did not switch tariff/package with the same Internet provider
Average	EU27	35%	9%	56%
Gender	Male	38%	10%	53%
	Female	31%	9%	60%
Age	15 to 24	37%	11%	51%
	25 to 39	36%	10%	54%
	40 to 54	34%	10%	56%
	55 +	31%	7%	62%
Locality	Metropolitan	39%	9%	52%
	Urban centre	35%	10%	56%
	Rural/Village	31%	9%	61%
Number of ISPs	1	55%	10%	36%
	2	44%	14%	42%
	3+	37%	12%	50%
Usage - Business	3 or more hours/day	41%	12%	48%
	Less than 3 hours/day	33%	9%	58%
	Never	29%	5%	66%
Package	Standalone	25%	5%	71%
	Bundle	36%	10%	54%
Access	DSL	34%	9%	58%
	Cable	37%	10%	53%
	Optical fibre (FTTx)	37%	11%	52%
	Satellite	39%	13%	48%
	Dongle/USB/Other	27%	6%	67%

6.1.5 Reasons for switching provider

Drivers identified by switchers

Survey respondents' reasons for choosing new provider

During a stakeholder interview conducted for this study, one ISP association said that “The interest for the consumer to change is the price; the price is always the main consideration” (ISP association). This claim is supported by the consumer survey results as shown in the next two sub-sections.

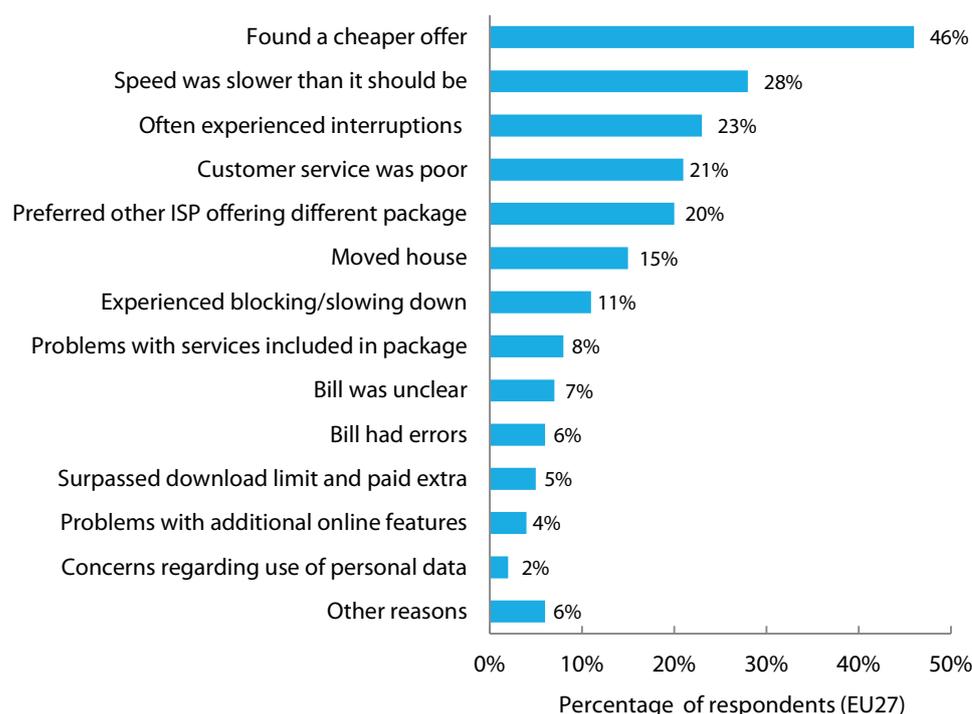
Across the EU, 46% of consumer survey respondents say that they switched supplier because they found a cheaper alternative.

The speed and reliability of the Internet connection are also important factors in switching behaviour (as shown in Figure 52 below). More than a quarter (28%) of respondents say that one of the reasons why they switched provider was because the speed of their former Internet connection was slower than it should have been, while 23% say they often experienced interruptions in their connection. A further 11% say that they experienced blocking or slowing down of certain services. Across the EU, 21% of respondents say that one of the reasons why they switched provider was because the customer service was poor, while others give reasons relating to a package: 20% preferred another provider offering a different package of services, and 8% had problems with other services included in their package.

Respondents are unlikely to have switched provider because of problems with their bill: just 7% switched because their bill was unclear, and 6% because their bill had errors.

Figure 52. Reasons for switching provider (multiple answers possible)

Source: Consumer survey, Q6: Which of the following reasons made you switch your Internet service provider? (N=10999 for EU27)



In the table below, the main reasons for switching provider (those given by more than 10% of respondents across the EU) are shown for each country. Finding a cheaper offer is the main reason for switching in most countries, but the variation around the average is quite wide: from 76% in Cyprus to 24% in Malta. The proportion giving this answer is highest in Cyprus (76%) and Greece (63%). Only in five countries

is this not the most frequent reason given by respondents: Bulgaria, Luxembourg, Malta, Slovakia, and Norway.

Slow speed and interruptions to the connection are more likely to be given by respondents as reasons for switching in the EU12 than in the EU15. Specifically, the slow speed of the connection was mentioned most frequently in Slovakia (40%), where this was the most common reason for switching, and in Bulgaria (39%). A relatively high proportion of respondents in Slovakia (39%) and Bulgaria (43%) also say they switched because of interruptions to the connection; in fact, this is the most common reason given for switching in Bulgaria. Blocking or slowing down ('throttling') of certain services is mentioned by a relatively high proportion in Slovenia (17%) and Lithuania (18%).

Respondents in Malta (42%) and Luxembourg (38%) are most likely to say that they switched to a new provider because they preferred a different package offered by that provider, and this was the main reason for switching in Malta and Luxembourg. Poor customer service is mentioned more frequently in Iceland (36%) and the UK (30%) than in other countries.

Table 23. Reasons for switching provider, analysis by country

Source: Consumer survey, Q6.

Notes: Only the seven most frequently indicated reasons are included in the table. (a) e.g. video streaming, Internet telephony, etc. (N=10999 for EU27 / 11598 for all countries)

MS	Found a cheaper offer	Speed was slower than it should be	Often experienced interruptions	Customer service was poor	Preferred another ISP offering different package	Moved house	Experienced blocking/slowing down of services ^(a)
EU27	46%	28%	23%	21%	20%	15%	11%
BE	39%	23%	20%	20%	23%	16%	13%
BG	39%	39%	43%	24%	26%	19%	6%
CZ	47%	34%	28%	18%	9%	14%	10%
DK	45%	17%	17%	15%	16%	19%	9%
DE	52%	25%	17%	23%	24%	18%	5%
EE	46%	27%	28%	12%	23%	18%	9%
IE	53%	34%	24%	21%	19%	11%	16%
EL	63%	33%	28%	19%	22%	10%	9%
ES	51%	24%	19%	20%	16%	10%	9%
FR	34%	25%	25%	27%	27%	17%	16%
IT	49%	28%	19%	16%	14%	10%	13%
CY	76%	15%	26%	14%	10%	3%	12%
LV	40%	36%	32%	17%	33%	10%	6%
LT	48%	35%	28%	10%	16%	18%	18%
LU	35%	17%	19%	29%	38%	18%	5%
HU	50%	30%	27%	12%	15%	12%	5%
MT	24%	15%	13%	18%	42%	3%	1%
NL	43%	23%	14%	17%	17%	10%	4%
AT	56%	30%	24%	18%	24%	18%	5%
PL	45%	37%	37%	23%	22%	16%	11%
PT	46%	28%	23%	16%	25%	17%	10%
RO	34%	33%	33%	15%	22%	17%	13%
SI	53%	27%	24%	9%	31%	13%	17%
SK	36%	40%	39%	16%	13%	11%	16%
FI	51%	24%	28%	17%	13%	16%	1%
SE	36%	15%	17%	11%	15%	27%	5%
UK	47%	28%	24%	30%	20%	16%	15%
IS	55%	33%	30%	36%	20%	8%	4%
NO	27%	33%	22%	17%	23%	23%	12%

The main demographic variation in reasons for switching is by age group (see next table). Older respondents are more likely than younger respondents to have switched because they found a cheaper offer (53% among those aged 55 or over, falling to 38% among those aged 15-24). Interruptions to the connection and blocking or slowing down of services are more likely to be given as reasons by younger rather than older

respondents. The same also applies to moving house, which was a more commonly cited reason for switching among those respondents under the age of 40.

Respondents who currently use the incumbent provider in their country are less likely to have switched because they found a cheaper offer, compared with those that use other providers. In addition, respondents with a bundle are more likely than those with standalone access to have switched because they found a cheaper offer.

Respondents with DSL access are more likely than other respondents to have switched because they found a cheaper offer.⁵⁵

Table 24. Main reasons for switching provider, analysis by age, provider, package type, and type of Internet access

Source: Consumer survey, Q6.
Notes: Only responses indicated by at least 20% of respondents are displayed in the table (see Part 2 of the report for the full results concerning the reasons "I moved house" and "experienced blocking/slowing down of services". (N=10999 for EU27)

	Sub-sample	Found a cheaper offer	Speed was slower than it should be	Often experienced interruptions	Customer service was poor	Preferred other ISP offering different package
Average	EU27	46%	28%	23%	21%	20%
Age	15 to 24	38%	29%	27%	25%	19%
	25 to 39	45%	27%	24%	21%	20%
	40 to 54	47%	27%	23%	19%	21%
	55 +	53%	28%	19%	22%	21%
ISP	Incumbent	36%	30%	26%	24%	20%
	Others	49%	27%	22%	20%	20%
Package	Standalone	40%	31%	28%	17%	9%
	Bundle	47%	27%	23%	22%	22%
Access	DSL	50%	27%	22%	22%	20%
	Cable	42%	29%	23%	19%	24%
	Optical fibre (FTTx)	38%	32%	25%	20%	21%
	Satellite	35%	27%	27%	18%	11%
	Dongle/USB/Other	42%	26%	29%	19%	14%

Switching exercise participants' reasons for choosing new provider

A 'switching exercise', in which consumers were prompted to switch their provider, was carried out for this study in six countries: Bulgaria, Germany, Poland, Spain, Sweden,⁵⁶ and the UK. The switching exercise participants detailed their experiences

⁵⁵ Note that details on package type and mode of access to the Internet relate to respondents' current provider (i.e. the provider to which respondents switched).

⁵⁶ The switching exercise tables presented in this section do not contain results for Sweden, where it proved highly difficult for the implementing organisation to recruit participants who were willing to actually switch their provider. Ultimately, the implementing organisation was only able to guide one participant through the full exercise. Impediments which led to this result include: (1) several potential participants had recently signed contracts with lengthy minimum durations and, because of associated termination fees, decided to remain with their current providers; (2) bundled products can be complex in Sweden such that potential switching

through activity reports as well as a focus group discussion held at the end of the exercises. The findings on switching are detailed throughout the remainder of this section, while findings on customer service (providers' responses to emails and telephone calls) are presented in Section 9.2.

The switching exercise also revealed insights into consumers' reasons for switching to specific suppliers. The three reasons most often cited by the 55 exercise participants for choosing their new provider are as follows:

- ▶ Best value for money (35 participants)
- ▶ Speed of Internet connection (29 participants)
- ▶ Special promotion or offer (18 participants)

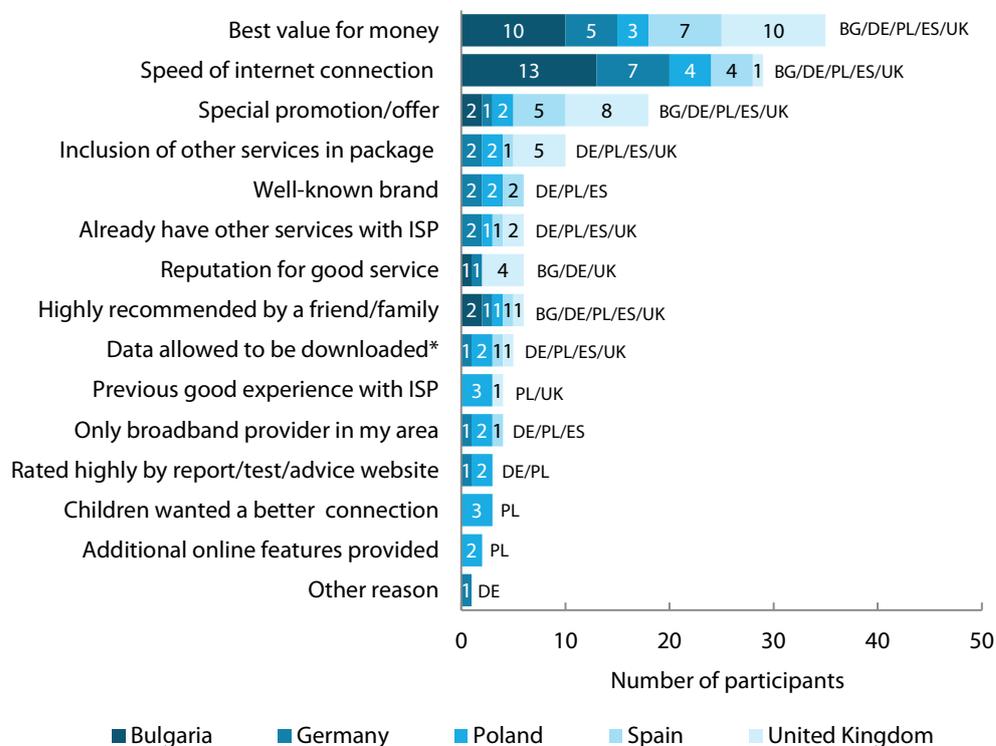
The figure below offers the complete data on switching exercise participants' reasoning regarding their choice of new provider.

The data collected suggests that the price of the service is a very important factor for participants in the United Kingdom and, to a lesser extent, in Spain when choosing their provider. In the United Kingdom, almost all participants (10 of 11 participants) indicated that best value for money was the main reason for choosing their new provider and 8 participants mentioned the possibility to take advantage of a special promotion or offer (7 and 5 of 10 participants in Spain, respectively). During the focus group discussion in the United Kingdom, some participants indicated that UK-based customer service is also a strong consideration in choosing a provider.

exercise participants who had all of their household's mobile phone subscriptions, plus Internet access and fixed phone lines as bundle components found the switching process too complex; and (3) several potential participants in the exercise appear to have been convinced not to switch by their old providers via counter offers once they had revealed that they were considering switching.

Figure 53. Main reasons for choosing new ISP according to participants in the switching exercise (multiple answers possible)

Source: Switching exercise.
Note: *Without extra payment/slower speeds. (N=55; N indicates the number of switchers in the 5 countries)



The speed of the Internet connection is the reason most often indicated for choosing the new provider by participants in Bulgaria (13 of 14 participants) and in Germany (7 of 10 participants).

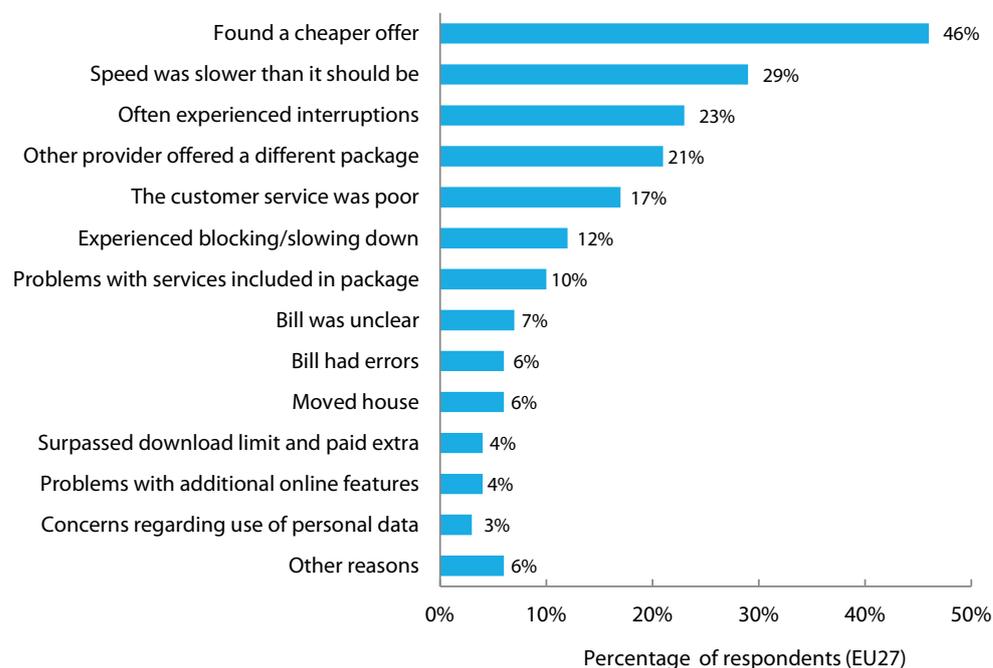
In Poland, several participants in the switching exercise also indicated connection speed as a factor, but overall participants in Poland reported factors less commonly mentioned in other countries, such as the new ISP being a well-known brand, previous good experience with the provider, high ratings from independent reports/tests/advice websites, the offer of additional online features and ‘children wanted a better Internet connection’.

Drivers identified by considerers

Consumer survey respondents who considered switching but did not (‘considerers’) were also mostly motivated by potential cost savings: 46% of this group of respondents say they considered switching because they found a cheaper offer – this was higher for users of the incumbent (52%) and commensurately lower for users of new entrants (42%). Slower connection speed and interruptions to the connection were also significant reasons for considering switching. These items were indicated by 29% and 23% of the sub-sample, respectively. Overall, ‘considerers’ ranked the reasons for (considering) switching in a highly similar manner as the ‘switchers’, with the same three items appearing – in the same order – at the top of both lists.

Figure 54. Reasons for considering switching provider

Source: Consumer survey, Q14: Which of the following reasons made you CONSIDER switching your Internet service provider? (N=8947 for EU27)



There were some notable differences between countries which are displayed in the table below. Greece and Spain had the largest proportion of respondents who considered switching in part because they found a cheaper offer (57%), while Maltese respondents relatively infrequently indicated this reason (20%). Bulgaria, the Czech Republic, Romania, and Norway had the highest proportion of respondents who were motivated by the sense that their connection speed was slower than it should have been (40%), and Bulgarian respondents were the group that most often indicated connection interruptions as a reason for considering switching (46%).

Respondents in Greece (32%) were most likely to say that they considered switching to a provider offering a different package. Poor customer service was mentioned more frequently in Iceland (24%), Belgium, and France (both 23%) than in other countries.

Table 25. Reasons for considering switching provider, analysis by country

Source: Consumer survey, Q14.
(N=8947 for EU27)

Notes: (a) e.g. video streaming, Internet telephony, etc.

(b) TV, fixed telephony, mobile telephony etc.

Country	Found a cheaper offer	Speed was slower than it should be	Often experienced interruptions in connection	Preferred other ISP offering different package	Customer service was poor	Experienced blocking /slowing down of services (a)	Problems with other services in package (b)
EU27	46%	29%	23%	21%	17%	12%	10%
BE	50%	23%	22%	13%	23%	17%	11%
BG	43%	40%	46%	29%	9%	12%	11%
CZ	32%	40%	33%	3%	17%	14%	10%
DK	44%	20%	20%	13%	13%	13%	6%
DE	48%	26%	15%	24%	15%	7%	8%
EE	43%	29%	24%	26%	10%	10%	16%
IE	36%	37%	27%	26%	20%	19%	8%
EL	57%	29%	22%	32%	14%	12%	9%
ES	57%	26%	18%	20%	20%	11%	7%
FR	39%	22%	30%	21%	23%	14%	13%
IT	46%	27%	17%	18%	10%	16%	9%
CY	53%	22%	20%	19%	5%	5%	1%
LV	47%	34%	18%	24%	7%	6%	11%
LT	44%	32%	20%	10%	6%	15%	11%
LU	41%	32%	24%	30%	15%	16%	9%
HU	49%	25%	30%	15%	8%	4%	17%
MT	20%	27%	20%	16%	14%	6%	16%
NL	46%	24%	16%	17%	13%	5%	8%
AT	50%	31%	20%	24%	18%	5%	7%
PL	44%	34%	33%	23%	20%	10%	9%
PT	52%	31%	24%	27%	14%	11%	14%
RO	39%	40%	34%	24%	21%	20%	17%
SI	48%	21%	24%	30%	8%	18%	23%
SK	45%	34%	28%	17%	11%	16%	5%
FI	44%	34%	36%	14%	19%	3%	7%
SE	41%	27%	22%	14%	18%	10%	9%
UK	44%	33%	25%	20%	19%	15%	7%
IS	40%	31%	34%	26%	24%	4%	14%
NO	33%	40%	29%	13%	20%	13%	8%

These results on the drivers of switching/considering switching raise interesting questions about the behaviour of consumers and the ‘stickiness’ of markets. The key question is why consumers who believe they are not getting the best deal on either, or both, price and quality stay with their existing supplier when, as discussed below in

Section 6.4, average post-switch savings reported by those consumer survey respondents who switched to a cheaper offer with another provider are significant. A traditional/neoclassical economist might consider such non-maximisation of welfare to be irrational and wonder why some consumers stay with a more expensive and/or lower quality supplier. However, the survey shows some interesting reasons as to why consumers behave in such a manner, i.e. why they do not switch. These results are presented immediately below.

6.1.6 Reasons for not switching provider

Consumer survey respondents who have not switched can be divided into two groups: those that considered switching but did not ('considerers') and those that have not considered switching ('non-switchers'). The reasons given for not switching by both of these groups are discussed below, starting with the considerers.

Considerers' reasons for not switching

As shown in Figure 55 below, the most frequent reason indicated by considerer respondents to the consumer survey for not actually switching is that they want to see if their current provider offers them a better deal first (19%).

This finding indicates an interesting insight into consumer behaviour. It appears that nearly one fifth of respondents in the considerer sub-sample are attempting to use the threat of leaving as leverage to obtain a better deal from their current provider. The fact that they can switch empowers consumers to negotiate better deals, and so from a competition perspective may have as much beneficial effect on prices and consumer welfare as actual switching. If a consumer could save as much, or nearly as much, by threatening to switch as by switching then the economic gain is the same. Older consumers (over 55) appear to be more willing to use this negotiating power than younger consumers (15 – 24): 21% versus 16%.

Other prominent reasons for not switching mentioned by respondents include: reluctance to leave a 'known' company is also a common concern (16%), not having sufficient time (15%), the difficulty of comparing offers (14%),⁵⁷ doubts on whether the effort is merited as all offers are similar (12%), and the existence of too many offers to choose from (9%).

For the 16% of respondents reluctant to leave their current supplier for one they do not know, the benefits of switching are outweighed by a preference for the known over the unknown. This is even so where the major ISPs are large, well-known brands in their own right. For example, in the UK, where the four largest ISPs – with a joint

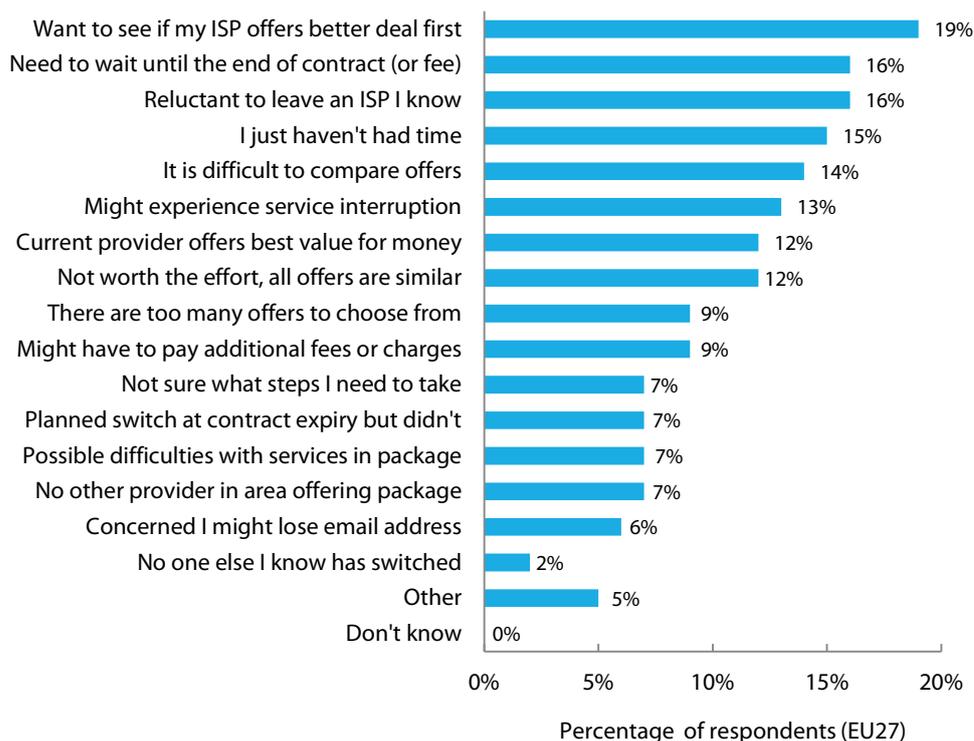
⁵⁷National regulatory authorities (NRAs) consulted through a survey initiated by BEREC in 2010 raised concerns regarding the lack of clarity in pricing structure, adequate price comparison information, and homogeneity of services offered. This lack of consumer information was highlighted by the NRAs as a main obstacle to switching in the markets for fixed telephony, mobile telephony, Internet access and bundles (see BEREC. 2010. *BEREC report on best practices to facilitate consumer switching. BoR (10) 34 Rev1*).

market share of around 90% – are all major companies, the proportion of respondents reluctant to switch to an unknown supplier was slightly above the EU27 average (18% compared to 16%). Older respondents appear rather more conservative than younger ones: 20% of over 55s were reluctant to switch to an unknown provider compared with 13% of 15 to 24-year-olds (see Part 2 of the report for the detailed by-country and socio-demographic results for this question).

On this point, it is notable that most of the highest ranked reasons are related to inertia, endowment (i.e. the tendency to value a product/service once owned and the associated hesitancy to discard it), choice overload, and time constraints. Indeed the only highly ranked practical issue is the 'Need to wait until the end of the contract (to avoid termination or other fees)'. Otherwise, the next practical item – 'Might experience a service interruption' – was ranked sixth by survey respondents. Clearly, time constraints, difficulty in dealing with multiple offers, and general inertia play an important role relative to practical considerations.

Figure 55. Reasons for not switching provider (considerers)

Source: Consumer survey, Q15: Which of the following are the main reasons why you have not switched your Internet service provider? Please give up to three reasons. Note: Survey respondents could indicate up to three responses. (N=8947 for EU27)



Turning to fees associated with switching, respondents were concerned that they would have to pay additional fees for switching: 16% indicated they would incur a penalty for leaving before the end of contract and 9% indicated they would have to pay additional fees (as multiple answers were permitted, there could be overlap between these responses).⁵⁸ If such expected fees are greater than any expected

⁵⁸ National regulatory authorities consulted via a survey conducted by BEREC in 2010 identified contractual obstacles (including restrictive terms and conditions and, in particular, financial penalties for leaving during the minimum contractual period) as the

financial gain from switching, then it is rational for consumers to wait until the end of the contract period before switching.

The role of contract duration and early termination fees

Article 30 of the Directive 2009/136/EC⁵⁹ which sets rules for facilitating a change of provider, places an obligation on Member States to ensure "that contracts concluded between consumers and undertakings providing electronic communications services do not mandate an initial commitment period that exceeds 24 months. Member States shall also ensure that undertakings offer users the possibility to subscribe to a contract with a maximum duration of 12 months." This obligation has been, or is being, implemented by all Member States. The stakeholder survey asked national regulatory authorities (NRAs) for the most frequently used contract duration in their country. Of those NRAs that provided a definite answer, 10 identified the most frequently used contract period as 12 months and 7 reported it as 24 months.⁶⁰

Thus a consumer liable to incur a charge for early termination of a contract could – in the worst case – find themselves with up to 24 months of fees to pay. It is of course unlikely, however, that a consumer would switch immediately after signing up with a new provider. In some countries national regulations limit the maximum allowed termination fee. For example, the Italian regulatory authority identified the maximum fee in that country as 45.0 Euro, while in Malta the reported limit is 90.0 Euro. In Italy and other countries, regulatory authorities responding to a specific stakeholder survey question noted the 'most frequently used termination fees'. In Italy the amount was identified as 35.0 Euro; in the Czech Republic one commonly used fee is 16.0 Euro for each remaining contract month, another is a one-off payment of 40.0 Euro; in Latvia the commonly assessed fees range from 50.0 to 100.0 Euro; and in France 50.0 Euro is a commonly used termination fee according to the national regulatory authority. Thus, in some countries the actual fee assessed for early termination may be significantly lower than the maximum allowed (which can be the full fee for the remainder of the contract period, i.e. the monthly fee multiplied by the number of months remaining).

single biggest obstacle to switching within communications markets (see BEREC. 2010. *BEREC report on best practices to facilitate consumer switching*. BoR (10) 34 Rev1).

⁵⁹ Directive 2009/136/EC of the European Parliament and of the Council of 25 November 2009 amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services, Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sector and Regulation (EC) No 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws.

⁶⁰ Based on responses to Civic Consulting stakeholder survey, Q4b: In practice, what is the most frequently used duration of an Internet provision contract (in months)?

Table 26. National arrangements for contract duration and termination fees, results from national regulatory authority survey

Source: Survey of national regulatory authorities, Q4 and Q6.
Note: (a) Payment for the breach of the contract on Internet service provision is applied in cases when such contract is terminated by customer before the term specified in the contract. If customer switches to a new Internet service provider (or opt-outs) from a non-terminated contract no extra-charge is applicable. (N=22)

Coun-try	Regulatory authority	Maximum allowed contract duration	Most frequently used contract duration	Maximum allowed termination fee	Most frequently used termination fee
BE	BIPT	Not regulated now; subject to future adoption of new Telco Law by parliament.	12 months	Not regulated now; in future likely 6 times the monthly subscription fee, depending on termination date.	Currently, the monthly fee multiplied by the number of months remaining on contract.
BG	Communications Regulation Commission	24 months	12 months	n.a.	Payments due until end of the duration of the contract.
CZ	Czech Telecommunication Office (CTO)	24 months (based on Electronic Communications Act)	Can conclude contract for undefined period or for fixed period (1 or 2 years) with some advantageous offers.	Not regulated.	400 CZK for each month remaining on contract (Telefónica Czech Republic) or one-time payment of 1000 CZK (UPC).
EE	Estonian Competition Authority	24 months	n.a.	Estonian Electronic Communications Act does not stipulate maximum.	n.a.
IE	The Commission for Communications Regulation	24 months but must also offer 12 months	12 months	Not specified under legislation.	Based on the time to run of the minimum contract time.
EL	National Telecommunications and Post Commission	12 months	12 months	No established policy.	
FR	Autorité de régulation des communications électroniques et des postes (ARCEP)	24 months is maximum tie-in period (but no maximum duration)	0-12 month tie-in period in practice.	Cost orientation of cancellation process, plus remaining contractual period.	Either tie-in period or 50 Euro.
IT	AGCOM - Autorità per le garanzie nelle Comunicazioni	24 months	12 months	45 Euro	35 Euro
LV	Republic of Latvia Public Utilities Commission	24 months	24 months	Maximum fee not regulated, depends on period of use before cancellation.	50-100 Euro.
LT	Communications Regulatory Authority	24 months	24 months	Not regulated by the legal acts.	Monthly payment times unfulfilled contract months ^(a)
HU	National Media and Infocommunications Authority	24 months		For early withdrawal, provider can demand only those benefits subscriber had used.	
MT	Malta Communications Authority	24 months	24 months	90 Euro	50/90 Euro (the two major undertakings have different fees).

NL	OPTA	24 months	12 months	No maximum	Monthly fee multiplied by remaining months.
AT	RTR-GmbH	24 months	12 or 24 months	Not specified.	Rest of monthly payments until end of contract period.
PL	Office of Electronic Communications	Maximum duration not specified in the Telecommunications Law, but in practice it is 36 months.	12 or 24 months	n.a.	n.a.
PT	Autoridade Nacional de Comunicações (ANACOM)	24 months for initial commitment period (pursuant to new version of Electronic Communications Law, Sept. 2011).	Difficult to determine – 24 months is duration most frequently mentioned in complaints received.	2010 legislation established limits on, inter alia, amounts charged for early termination.	Cannot define, varies considerably. Contracts with minimum periods must indicate certain information.
RO	National Authority for Management and Regulation in Communications	24 months	24 months	Not applicable.	Not available.
SI	APEK	24 months	24 months	n.a.	n.a.
SK	Telecommunications regulatory authority	24 months for the first signed contract	24 months		
SE	Swedish Post and Telecom Agency	24 months	12-24 months	No set limit; length of notice period indirectly limited by consumer law.	Consumers are most probably debited for the remaining fixed costs of the contract.
UK	Ofcom	24 months (initial fixed duration) for contracts entered into by consumers after May 2011; all ISPs must offer 12-month contract.	Ofcom does not collect this data.	No sector specific rules; unreasonably high/ unfair charges may breach General Conditions / Unfair Terms in Consumer Contracts Reg's.	Data not available; fees vary between providers. A 2010 project resulted in major providers lowering their early termination charges.
NO	NPT	12 months (maximum allowed obligation)	12 months (maximum allowed obligation)	Regulated in contract.	Regulated in contract.

Two comments related to contract duration and termination fees can be made. First, a minimum contract term allows the provider to set a lower price at the start of the contract, for example in the form of a discount for the first few months and/or free equipment, and to recover that discount over the whole contract term. This may lower some perceived barriers to switching, such as the need to purchase new equipment, if a provider with a different access technology is chosen. Secondly, the extent to which contract periods serve as a barrier to switching depends on the penalty for early cancellation versus the savings achievable by switching. If the savings outweigh a penalty then a minimum contract period would not deter a rational consumer from switching (see also the results of our economic analysis in a household perspective, Section 6.5 below). On the other hand, if termination fees are

significant they may, in combination with other concerns, be an effective barrier for potential switchers. This was highlighted by our switching exercise in Sweden, where it proved highly difficult for the implementing organisation to recruit consumers who were willing to switch their provider, although participants in the switching exercise were offered compensation for their effort in documenting the switch. This was caused by a variety of factors, including termination fees, the complexity of bundled products and counter offers by the current provider once they had revealed that they were considering switching (see Footnote 56 above).

Reasons for not considering switching

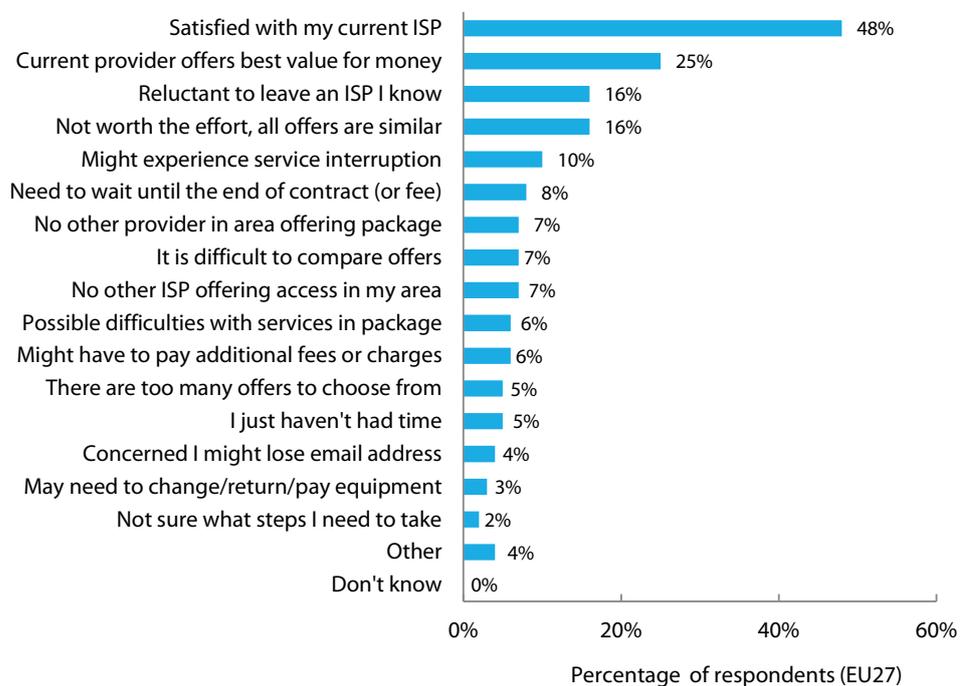
The main reason given by consumer survey respondents for why they have not even considered switching is that they are satisfied with their current provider (48%). The next most frequently indicated reason (25%) is that respondents' current provider offers the best value for money. Other reasons given by respondents are reluctance to change from a provider they know to one they don't (16%), and that it is not worth the effort because they believe all offers are similar (also 16%). Concerns about losing the email address with the current provider,⁶¹ the need to change, return or pay for equipment from the current provider and uncertainty concerning the steps to take to switch were the reasons the least often indicated by consumer survey respondents for not considering switching (4%, 3% and 2% of respondents, respectively).

The figure below also includes the reasons given less frequently by respondents, which tend to concern either contracts or fees (e.g. penalty for switching before contract ends), potential problems with services (e.g. interruption to the Internet connection or difficulties with other services in the package) or options available (e.g. no other providers offering the preferred package).

⁶¹The Belgian NRA has approved a code of conduct requiring from ISPs starting with 16th of April 2011 the maintaining of consumers' access to the email accounts and web space tied with their Internet subscription for 6 more months after the contract's end. See: http://www.ibpt.be/fr/637/ShowDoc/3482/Communiqu%C3%A9s_de_presse/Les_emails_et_%E2%80%99espace_web_doivent_rester_disponi.aspx.

Figure 56. Reasons for not considering switching (non-switchers)

Source: Consumer survey, Q16: Which of the following reasons best explain why you have not considered switching your Internet service provider? You may give up to three reasons. Note: Survey respondents could indicate up to three responses. (N=7723 for EU27)



Satisfaction with the current provider is the main reason given for not considering switching in every country. However, the proportion giving this answer is particularly high in Malta (77%), Cyprus (67%), Bulgaria (66%), and Lithuania (66%). The proportion that say their current provider offers the best value for money is also high in Bulgaria (47%) as well as in Romania (41%).

Overall, the list is dominated by respondents' satisfaction with their current ISP and other 'endowment' issues. This term refers to the behavioural finding that consumers value something more once they have owned it and, in turn, may hesitate to give it up. This can lead to a tendency to stay with the same, e.g. provider, out of a sense of loyalty or failure to acknowledge past poor choices. We cannot separate out this effect in the survey data, but it is notable that the first practical item – 'Might experience a significant service interruption' – is ranked fifth, and was indicated by just 10% of respondents. In contrast, the first three responses directly pertain to respondents' current provider, and the fourth may be indirectly linked.

The view that it is not worth the effort because all offers are similar is most prevalent in Portugal (28%), while respondents from Luxembourg show the highest figures both for reluctance to leave a provider they know (31%) and difficulty in comparing offers (22%).

Respondents in Italy are most likely to express concerns about possible interruptions to the service or other technical difficulties (18%), while those in Poland are most likely to mention reasons relating to payment: either paying a penalty for leaving before the end of the contract (16%) or paying an additional fee for switching (10%).

Reasons relating to the package of services feature prominently in Estonia: 23% say there is no other provider offering their preferred package, while 9% are concerned about possible problems with other services included in the package.

The table below provides more details by showing a breakdown of answers given by more than 5% of respondents.

Table 27. Reasons for not considering switching, analysis by country

Country	Satisfied with my current ISP	Current ISP offers best value for money	Not worth the effort, all offers are similar	Reluctant to leave an ISP I know	Might experience service interruption	Need to wait until the end of contract ^(a)	No other provider offering access in area	It is difficult to compare offers	No other provider in area offering package	Might have to pay additional fees or charges for switching	Might experience difficulties with other services in package
EU27	48%	25%	16%	16%	10%	8%	7%	7%	7%	6%	6%
BE	54%	18%	14%	21%	9%	6%	3%	16%	2%	8%	9%
BG	66%	47%	17%	16%	3%	5%	5%	3%	4%	1%	2%
CZ	58%	33%	15%	17%	5%	6%	9%	6%	5%	4%	3%
DK	56%	27%	18%	10%	5%	1%	4%	10%	6%	6%	4%
DE	42%	22%	16%	13%	13%	9%	7%	6%	6%	5%	3%
EE	57%	28%	14%	27%	3%	4%	12%	6%	23%	2%	9%
IE	47%	30%	14%	15%	7%	8%	11%	6%	8%	5%	6%
EL	59%	32%	21%	19%	15%	6%	3%	7%	4%	7%	8%
ES	46%	26%	16%	15%	6%	8%	4%	6%	8%	5%	5%
FR	40%	17%	19%	18%	10%	6%	10%	11%	6%	7%	8%
IT	39%	19%	19%	18%	18%	8%	4%	9%	2%	8%	8%
CY	67%	14%	6%	7%	0%	0%	5%	2%	5%	2%	0%
LV	62%	28%	14%	24%	4%	8%	11%	8%	10%	5%	4%
LT	66%	31%	17%	15%	7%	15%	13%	4%	11%	3%	7%
LU	47%	18%	26%	31%	7%	3%	2%	22%	2%	3%	7%
HU	61%	26%	10%	13%	3%	11%	11%	5%	13%	6%	5%
MT	77%	20%	4%	9%	1%	3%	2%	1%	4%	1%	3%
NL	57%	26%	12%	13%	8%	1%	4%	2%	5%	2%	3%

Country	Satisfied with my current ISP	Current ISP offers best value for money	Not worth the effort, all offers are similar	Reluctant to leave an ISP I know	Might experience service interruption	Need to wait until the end of contract ^(a)	No other provider offering access in area	It is difficult to compare offers	No other provider in area offering package	Might have to pay additional fees or charges for switching	Might experience difficulties with other services in package
AT	54%	29%	14%	6%	7%	7%	10%	9%	10%	7%	7%
PL	41%	28%	11%	10%	8%	16%	12%	4%	13%	10%	5%
PT	50%	20%	28%	11%	4%	9%	6%	6%	9%	3%	5%
RO	62%	41%	24%	13%	5%	9%	7%	4%	9%	4%	5%
SI	60%	26%	20%	20%	5%	5%	12%	9%	7%	4%	8%
SK	49%	33%	14%	13%	4%	14%	9%	5%	8%	5%	3%
FI	56%	31%	9%	17%	12%	9%	11%	9%	3%	5%	2%
SE	58%	18%	19%	15%	6%	6%	7%	9%	6%	7%	4%
UK	46%	29%	14%	21%	15%	11%	4%	4%	7%	8%	7%
IS	60%	14%	17%	15%	5%	0%	7%	10%	5%	3%	6%
NO	54%	16%	20%	15%	3%	4%	10%	11%	7%	5%	6%

Source: Consumer survey, Q16. Note: (a) to switch without paying penalty. (N=7723 for EU27 / 8197 for all countries)

Respondents' stated reasons for not considering switching varied by type of locality. Respondents in rural zones are less likely than those in other areas to say this is because they are satisfied with the provider (45% compared to 51% in metropolitan zones) or the value for money they offer (21% compared to 27%). Instead rural respondents are more likely to give reasons related to the availability of other providers (at all, or offering their preferred package).

Those with slow connection speeds are also less likely to give reasons related to positive views of their current provider, and are more likely to mention a possible financial penalty, the lack of alternative providers, and the difficulty of comparing offers.

Respondents who use the incumbent provider in their country are less likely to base their decision on good value for money, and are more likely to give reasons related to lack of familiarity with alternatives: either reluctance to leave a provider they know for one they don't, or a lack of other providers in their area.

In terms of mode of access, respondents accessing the Internet via an optical fibre line are most likely to say they have not considered switching because they are satisfied with their current provider. Those with DSL access are most likely to say they would be concerned about a significant service interruption or other technical difficulties.

Table 28. Reasons for not considering switching, analysis by locality, provider, connection speed, and type of Internet access

	Sub-sample	Satisfied with my current ISP	Current ISP offers best value for money	Not worth effort, all offers are similar	Reluctant to leave a ISP I know	Might experience service interruption	Need to wait ^(a) until end of contract	No other provider offering access in area	It is difficult to compare offers	No other provider in area offering package	Might have to pay additional fees /charges	Possible difficulties with other package services
Average	EU27	48%	25%	16%	16%	10%	8%	7%	7%	7%	6%	6%
Locality	Metropolitan	51%	27%	18%	14%	12%	9%	5%	7%	5%	7%	7%
	Urban centre	48%	28%	17%	15%	9%	9%	4%	6%	6%	6%	6%
	Rural/Village	45%	21%	15%	18%	10%	7%	12%	7%	9%	5%	4%
ISP	Incumbent	46%	17%	18%	19%	13%	9%	10%	8%	7%	6%	7%
	Others	49%	30%	16%	14%	9%	8%	5%	6%	6%	6%	5%
Speed	Up to 2 Mbps	38%	18%	14%	11%	8%	12%	10%	12%	9%	6%	7%
	>2 Mbps to 12 Mbps	50%	26%	17%	16%	9%	8%	7%	5%	6%	6%	6%
	>12 Mbps to 30 Mbps	55%	30%	18%	17%	8%	7%	5%	7%	8%	6%	5%
	More than 30 Mbps	49%	28%	16%	15%	12%	4%	6%	5%	8%	7%	5%
Access	DSL	46%	23%	17%	17%	12%	8%	7%	7%	6%	6%	6%
	Cable	50%	30%	16%	15%	7%	7%	5%	8%	8%	6%	6%
	Optical fibre (FTTx)	60%	33%	16%	12%	8%	5%	5%	3%	7%	7%	6%
	Satellite	45%	30%	13%	8%	8%	13%	10%	5%	6%	4%	2%
	Dongle/USB/Other	41%	22%	13%	11%	7%	15%	8%	7%	7%	4%	1%

Source: Consumer survey, Q16. Note: (a) to switch without paying penalty. (N=7723 for EU27)

6.2 THE SWITCHING PROCESS

This section examines the switching process, specifically formal switching arrangements employed across the EU; average personal time spent on switching; the assessed ease of the process; problems experienced by those who have switched; and the average duration of connection outages that result from switching.

The key findings are that:

1. Regarding switching arrangements, half of consumer survey respondents across the EU report that their new provider arranged the switch for them; around a third of respondents organised the switch themselves;
2. On average, consumer survey respondents across the EU spent 2.5 hours of personal time on the switching process; the average time spent was longer for younger respondents and those using the Internet at home for business purposes, plus those with a bundle generally spent longer than those with standalone access;
3. The vast majority of survey respondents who had switched provider regarded the process as very or fairly easy, with only 10% indicating they found it difficult;
4. However, almost half (44%) of respondents in the 'switcher' sub-sample report experiencing problems of some kind when switching provider; problems were more likely to be reported by younger people, those in metropolitan zones and those using their connection for business purposes;
5. Similarly, about half the participants in the switching exercise experienced problem(s) when switching provider, with the most frequently mentioned problems relating to a significant interruption in connection and technical difficulties;
6. A quarter of consumer survey respondents who had switched reported experiencing no connection interruption; where there was an interruption, on average respondents were without Internet access for 4.7 days;
7. In countries where DSL is the main infrastructure, survey respondents tend to have experienced a longer service interruption when they switched provider.⁶²

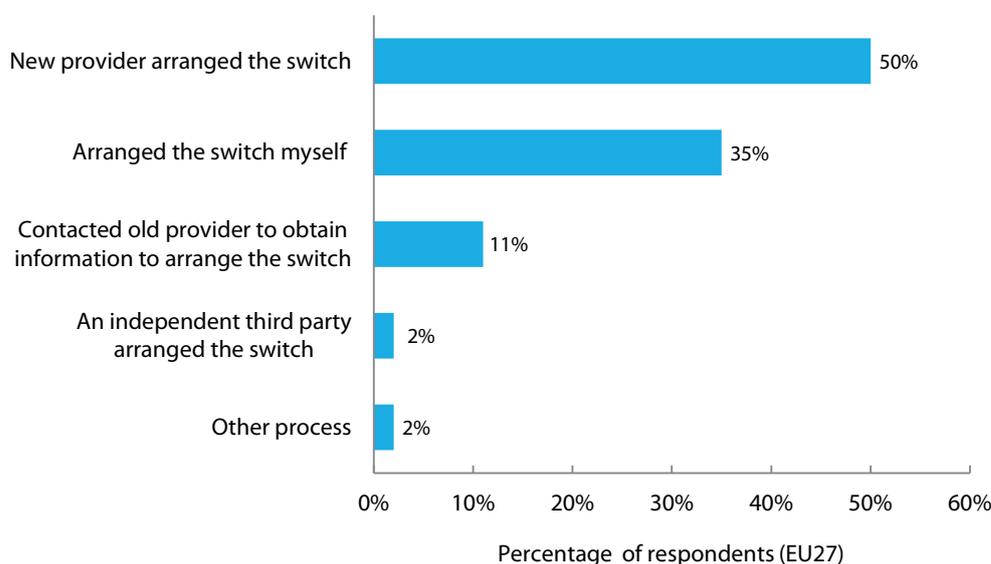
⁶² A higher DSL market share may indicate less wholesale level competition between technologies and be linked with a stronger role for the incumbent provider, as they are often former telecom companies.

6.2.1 Switching arrangements

Consumer survey respondents who had switched their provider during the last three years were asked about the arrangements they had to undertake in order to switch. Half of respondents across the EU (50%) say that their new provider arranged the switch for them and they did not need to contact the old provider.⁶³ Around a third of respondents (35%) arranged the switch themselves by cancelling one service and signing up to the new one.⁶⁴ It was less common for respondents to have to liaise between the two providers: 11% needed to contact their old provider to obtain information which the new provider then used to arrange the switch.⁶⁵ For 2% of respondents, a third party arranged the switch, and the final 2% of respondents undertook another process.

Figure 57. Arrangements for switching provider

Source: Consumer survey, Q7: Which one of the following best describes the process you went through when you switched to your current Internet service provider? (N=10999 for EU27)



Twenty-two of the twenty-nine national regulatory authorities (NRAs) contacted responded to our stakeholder survey. According to the results of this survey, self-organisation of switching, under which the consumer self-cancels one contract and

⁶³ This is also referred to as a New Provider Led Process (NPLP) or as a notification of transfer process. It is defined as a switching process where the consumer only needs to contact the provider they are transferring to in order to switch. The new provider informs the old provider on behalf of the consumer in order to organise the transfer (see: Ofcom. 2012. *Consumer switching. A consultation on proposal to change the processes for switching fixed voice and broadband providers on the Openreach copper network*).

⁶⁴ This also referred to as a consumer organised process (or cease and re-provide process). It is defined as a switching process where there are no agreed processes in place which enable a seamless transfer of services between providers. The consumer terminates the contract with the old provider and requests a service from the new provider. This process requires the consumer to manage the stopping and starting of the services (see: Ofcom. 2012. *Consumer switching. A consultation on proposal to change the processes for switching fixed voice and broadband providers on the Openreach copper network*).

⁶⁵ This is also referred to as an Old Provider Led Process (or migration authorisation code process). It is defined as a switching process in which consumers need to contact the provider they are transferring away from, as well as the provider they are transferring to, in order to switch. This means that if a consumer wishes to change provider, the consumer needs to obtain a code from the old provider and give it to the new provider (see: Ofcom. 2012. *Consumer switching. A consultation on proposal to change the processes for switching fixed voice and broadband providers on the Openreach copper network*).

then subscribes to a new one, is the most common switching process across the EU.⁶⁶ Thirteen of the twenty-two NRAs said this was the standard process in their country, both in case a consumer switches to standalone Internet access or Internet access as part of a bundle.⁶⁷ The 'New Provider Led Process' (NPLP) was the next most common with seven countries employing this procedure for both standalone and bundle connections (see following table).⁶⁸

⁶⁶ Based on results of Civic Consulting Stakeholder Survey, Question 7: In your country, is the switching process between broadband Internet service providers led by the new provider or the old provider?

⁶⁷ In contrast, 50% of respondents to the consumer survey reported that their new provider arranged the switch. What initially appear to be different results between our consumer survey and stakeholder survey could be explained by several factors: (1) whereas the consumer survey included respondents in all Member States, plus Iceland and Norway, only 22 of the 29 contacted national regular authorities responded to the stakeholder survey; (2) the self-reported consumer survey results may contain some respondent error with regard to technical aspects such as switching processes; (3) though the stakeholder survey results indicate more countries with consumer-arranged processes than new provider-led processes, it tends to be the more populous countries which have new provider-led processes, so this finding may be in line with the overall consumer survey findings. Also, because of back end deficiencies, some providers may not follow industry agreed switching processes and this may have impacted results (see: Ofcom. 2012. 'Consumer switching: A consultation on proposals to change the processes for switching fixed voice and broadband providers on the Openreach copper network, 9th February 2012').

⁶⁸ According to the Portuguese regulator, ANACOM, Portugal employs a self-organised process for Standalone connections, but a NPLP for bundles that involve number portability. The Netherlands uses a NPLP for standalone connections, but consumers need to arrange bundle switches themselves.

Table 29. National arrangements for switching processes, results from national regulatory authority survey

Source: Survey of national regulatory authorities, Q7. (N=22)

Notes: (a) New provider-led process is applicable only to switching to a new phone provider. (b) ECA is not aware of other processes. (c) User has to indicate a code to new provider, which is given by old provider in bills, on the web-site, or by contacting call-centre. This may also apply to switching bundles. (d) In case of telephony number, portability requirements are applicable. (e) Generally the switch is independent because the two main operators have a separate network. (f) Process for standalone Internet is established under self-regulation. (g) No established switching process for triple play bundles. (h) Answer based on experience of regulator's employees as consumers, because switching process is beyond scope of regulator's tasks. (i) When there is number portability involved, it is a new provider-led process. (j) Mixture between new provider-led and consumer arranged. (k) New provider-led, old provider-led, or consumer-organised depending on the technologies used by both providers and system upgrades they have made.

Country	Regulatory authority	Process for standalone Internet access	Process for Internet access as part of a bundle
BE	BIPT	Consumer arranges switch	Consumer arranges switch
BG	Communications Regulation Commission	Consumer arranges switch	Consumer arranges switch ^(a)
CZ	Czech Telecommunication Office (CTO)	Consumer arranges switch	Consumer arranges switch
EE	Estonian Competition Authority	Consumer arranges switch ^(b)	Consumer arranges switch ^(b)
IE	The Commission for Communications Regulation	New provider-led	New provider-led
EL	National Telecommunications and Post Commission	New provider-led	New provider-led
FR	Autorité de régulation des communications électroniques et des postes (ARCEP)	New provider-led	New provider-led
IT	AGCOM - Autorità per le garanzie nelle Comunicazioni	New provider-led ^(c)	New provider-led
LV	Republic of Latvia Public Utilities Commission	Consumer arranges switch	Consumer arranges switch ^(d)
LT	Communications Regulatory Authority	Consumer arranges switch	Consumer arranges switch
HU	National Media and Infocommunications Authority	Consumer arranges switch	Consumer arranges switch
MT	Malta Communications Authority	Consumer arranges switch ^(e)	Consumer arranges switch ^(e)
NL	OPTA	New provider-led ^(f)	Consumer arranges switch ^(g)
AT	RTR-GmbH	Consumer arranges switch	Consumer arranges switch
PL	Office of Electronic Communications	New provider-led ^(h)	New provider-led ^(h)
PT	Autoridade Nacional de Comunicações (ANACOM)	Consumer arranges switch	Other process ⁽ⁱ⁾
RO	National Authority for Management and Regulation in Communications	Consumer arranges switch	Consumer arranges switch
SI	APEK	New provider-led	New provider-led
SK	Telecommunications regulatory authority	Consumer arranges the switch	Consumer arranges switch
SE	Swedish Post and Telecom Agency	Consumer arranges switch ^(j)	Consumer arranges switch ^(j)
UK	Ofcom	Other process ^(k)	Other process ^(k)
NO	NPT	New provider-led	New provider-led

The exception is the UK where all three processes (new provider-led, old provider-led, and consumer organised) are utilised. The actual process followed by the consumer depends on the technologies used by both the new provider and the old provider.⁶⁹ It also depends on specific system upgrades that providers have made.

Returning to the consumer survey results, the percentage of respondents who said they arranged the switch themselves varied from 80% in Bulgaria to 14% in Spain. There is a broad division between respondents residing in the EU15 and EU12 in regard to the process for switching Internet providers. In EU15 Member States, especially Spain (77%), Greece (72%), and Italy (70%), most respondents say that their new provider arranged the switch for them. This figure is also relatively high in Iceland (79%). However, in EU12 Member States, it is more common for people to arrange the switch themselves. This approach applies to 64% of respondents in the 10 countries that entered the EU in 2004 and 77% of those in the countries that entered in 2007, with the highest figures in Bulgaria (80%), the Czech Republic (79%), and Slovakia (78%).

The UK has the highest proportion of respondents that needed to contact their old provider to obtain information for their new provider to use in arranging the switch (23%).

⁶⁹ See, for example, Figure 6, p. 32 of Ofcom. 2012. *Consumer switching. A consultation on proposal to change the processes for switching fixed voice and broadband providers on the Openreach copper network*, for a description of the switching processes – by type of technology – that are used to switch bundles that include voice and broadband services.

Table 30. Arrangements for switching provider, analysis by country

Source: Consumer survey, Q7.
(N=10999 for EU27 / 11598 for all countries)

Country	New provider arranged the switch for me	Arranged the switch myself	Contacted old provider to obtain information to arrange the switch	An independent third party arranged the switch	Other process
EU27	50%	35%	11%	2%	2%
BE	48%	38%	8%	3%	2%
BG	17%	80%	1%	1%	1%
CZ	13%	79%	5%	1%	2%
DK	45%	40%	7%	5%	2%
DE	53%	33%	9%	3%	2%
EE	22%	72%	2%	1%	2%
IE	48%	37%	12%	2%	2%
EL	72%	19%	6%	3%	0%
ES	77%	14%	7%	2%	1%
FR	51%	33%	13%	2%	1%
IT	70%	15%	11%	3%	1%
CY	62%	30%	7%	0%	0%
LV	17%	77%	4%	1%	2%
LT	16%	77%	3%	2%	2%
LU	46%	41%	9%	0%	4%
HU	19%	75%	3%	1%	2%
MT	19%	74%	7%	0%	0%
NL	59%	31%	6%	2%	2%
AT	21%	70%	4%	3%	2%
PL	30%	57%	10%	2%	1%
PT	37%	47%	10%	3%	3%
RO	17%	75%	4%	1%	2%
SI	63%	33%	2%	1%	1%
SK	12%	78%	6%	3%	1%
FI	45%	46%	3%	3%	3%
SE	34%	53%	8%	1%	4%
UK	52%	23%	23%	1%	2%
IS	79%	15%	4%	1%	1%
NO	42%	50%	5%	2%	1%

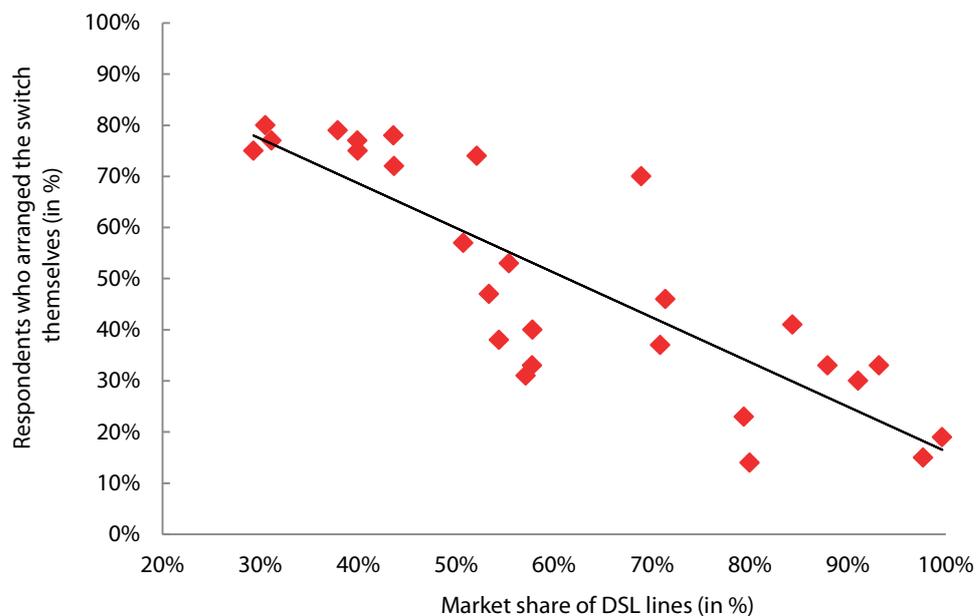
A correlation between the proportion of respondents to the consumer survey who arranged the switch themselves and the market share of DSL technology is strong and negative at -0.84.⁷⁰ This would suggest that where consumers switch between

⁷⁰ Significance level: p<0.001.

technologies, for example between DSL and cable, they need to organise the switch themselves rather than rely on either the old or new provider.

Figure 58. Relationship between market share of DSL lines and self-organised switch

Source: Consumer survey, Q7 (percentages of respondents who arranged the switched themselves) and Digital Agenda Scoreboard database (market share of DSL lines, January 2011).
Note: Each dot represents a country. (N for Q7=10999)



This suggestion is supported by the detailed breakdown of results of Question 7 of the consumer survey. Amongst those who arranged the switch themselves, more respondents used cable (45%) or fibre (40%) than DSL (29%), whereas those subject to a NPLP tended to use DSL (57%) rather than the major alternative technologies (41% and 47% respectively).

Table 31. Arrangements for switching provider, analysis by locality, package type, and type of Internet access

Source: Consumer survey, Q7.
(N=10999 for EU27)

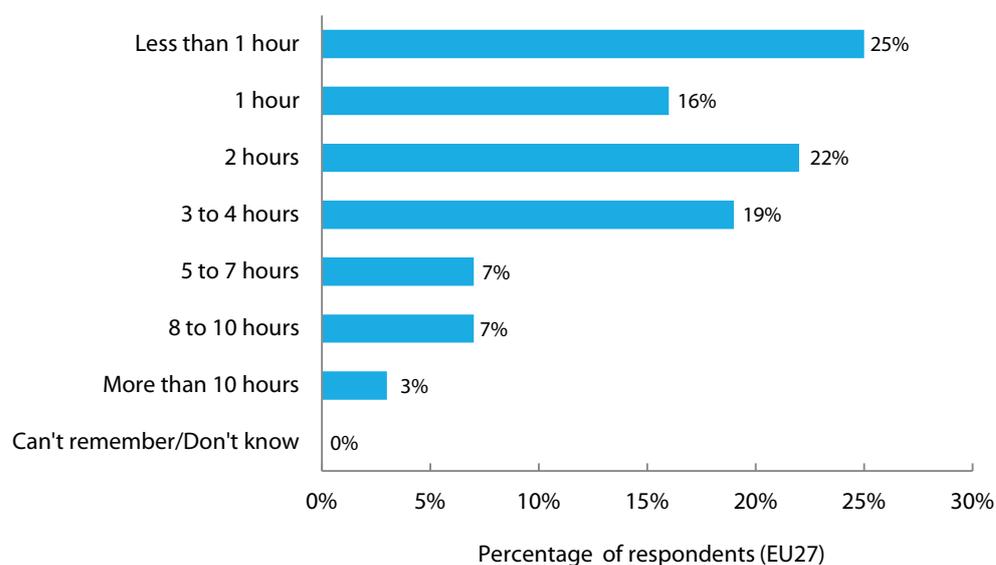
	Sub-sample	New provider arranged the switch for me	Arranged the switch myself	Contacted old provider to obtain information to arrange the switch	An independent third party arranged the switch	Other process
Average	EU27	50%	35%	11%	2%	2%
Locality	Metropolitan	56%	29%	11%	3%	1%
	Urban centre	49%	37%	10%	2%	2%
	Rural/Village	47%	38%	12%	2%	2%
Package	Standalone	25%	62%	6%	2%	5%
	Bundle	54%	32%	11%	2%	1%
Access	DSL	57%	29%	11%	2%	1%
	Cable	41%	45%	11%	2%	1%
	Optical fibre (FTTx)	47%	40%	9%	4%	1%
	Satellite	43%	27%	22%	6%	3%
	Dongle/USB/Other	25%	64%	4%	1%	6%

6.2.2 Personal time spent on switching

On average, respondents in EU Member States spent 2.5 hours of personal time on the switching process. This ranged from less than one hour (25%) to more than 10 hours (3%). This reported time includes the initial search for new providers, comparing offers, contacting the new provider, signing the contract, and installing new equipment.

Figure 59. Personal time spent on switching process

Source: Consumer survey, Q9: Thinking about the switching process again, roughly how many hours of personal time did you spend on this? Please give the approximate amount of time you and other household members spent until the new Internet connection was fully operational (including the initial search, comparing different offers, contacting the new provider, signing the new contract, installing/configuring equipment). (N=10999 for EU27)



As shown in the next table, there was variation by age group and education level. Younger respondents (aged 15-24) tended to spend longer than older respondents, while the average time spent was also higher among more highly educated respondents (average of 2.4 hours for those who graduated high/secondary school, 2.6 hours for those that graduated from college or university, and 2.9 hours among those with a post-graduate degree). It should be noted that these findings may reflect either difficulties experienced with the switching process or respondents' choices to spend additional time researching prospective offers.

The average time spent was also higher among respondents using the Internet at home for business purposes, ranging from 2.8 hours on average for those who spend three or more hours per day using the Internet at home for business, to 2.2 hours for those who do not use it at all for business. Again, this result may reflect the importance heavy business users place on selecting an appropriate Internet service provision package.

In addition, those with a bundle typically spent longer than those with standalone Internet access (average of 2.6 hours compared with 2.3 hours).

There is a strong correlation between educational attainment and business usage of the Internet at home. It may therefore be difficult to identify which characteristic is more strongly associated with time spent switching.

Table 32. Personal time spent on switching process, analysis by age, education, Internet usage for business, package type, locality, and Internet proficiency

Source: Consumer survey, Q9.
Note: (a) Excludes 'Don't know' and 'Can't remember'. (N=10999 for EU27)

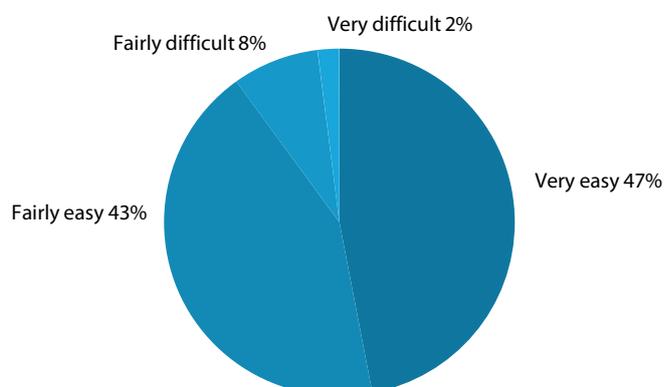
	Sub-sample	< 1 h	1 h	2 h	3-4 h	5-7 h	8-10 h	>10 h	Average ^(a)
Average	EU27	25%	16%	22%	19%	7%	7%	3%	2,5
Age	15 to 24	19%	14%	24%	26%	10%	6%	1%	2,8
	25 to 39	24%	14%	23%	21%	7%	7%	3%	2,6
	40 to 54	26%	18%	20%	17%	6%	8%	4%	2,5
	55 +	29%	18%	22%	15%	5%	7%	3%	2,3
Education	Elementary school or less	43%	13%	15%	13%	6%	9%	0%	2,3
	Some high school	32%	15%	19%	18%	6%	7%	3%	2,3
	High school graduation	27%	17%	22%	19%	6%	7%	2%	2,4
	University graduation	21%	18%	23%	20%	7%	7%	4%	2,6
	Post-graduate degree	19%	11%	26%	23%	8%	9%	3%	2,9
	Other qualification	24%	20%	20%	13%	7%	10%	8%	2,6
Usage - Business	3 or more hours/day	22%	13%	23%	23%	7%	8%	4%	2,8
	Less than 3 hours/ day	24%	18%	23%	20%	7%	7%	3%	2,5
	Never	35%	19%	18%	13%	6%	7%	3%	2,2
Package	Standalone	33%	13%	21%	17%	5%	7%	4%	2,3
	Bundle	24%	17%	22%	20%	7%	7%	3%	2,6
Locality	Metropolitan	24%	18%	21%	18%	8%	7%	4%	2,5
	Urban centre	25%	16%	22%	21%	6%	7%	3%	2,6
	Rural/Village	26%	16%	24%	18%	6%	7%	3%	2,5
Internet proficiency	Proficient	21%	18%	22%	21%	7%	7%	4%	2,6
	Non-proficient	27%	16%	22%	19%	6%	8%	3%	2,5

6.2.3 Assessed ease of the switching process

The switching process was generally regarded by consumer survey respondents as easy. The vast majority of respondents indicated that the actual switch was easy, once they had decided on a provider. 47% found it very easy to switch and 43% indicated it was fairly easy. Just 10% found it difficult.

Figure 60. How easy was actual switch?

Source: Consumer survey, Q11:
After you had decided on a provider, how easy was it to actually switch?
(N=10999 for EU27)



The proportion who found the actual switch 'very easy' is higher among those with standalone Internet access (55%) than those with a bundle (46%). This finding may not be surprising because one might expect that switching a single product is easier than switching a bundle. The proportion who found the actual switch 'very easy' is also higher among those who never use the Internet at home for business (57%).

Table 33. How easy was actual switch, analysis by gender, age, education, locality, package type, type of Internet access, and Internet usage for business

Source: Consumer survey, Q11.
(N=10999 for EU27)

	Sub-sample	Very easy	Fairly easy	Fairly difficult	Very difficult
Average	EU27	47%	43%	8%	2%
Gender	Male	45%	44%	8%	3%
	Female	50%	41%	7%	2%
Age	15 to 24	42%	47%	8%	2%
	25 to 39	46%	45%	8%	2%
	40 to 54	50%	40%	8%	2%
	55 +	49%	40%	7%	4%
Education	Elementary school or less	64%	28%	4%	3%
	Some high school	46%	43%	8%	2%
	High school graduation	49%	41%	7%	3%
	University graduation	45%	44%	8%	2%
	Post-graduate degree	45%	43%	9%	3%
	Other qualification	46%	46%	7%	1%
Locality	Metropolitan	47%	43%	7%	3%
	Urban centre	47%	43%	8%	2%
	Rural/Village	48%	42%	8%	2%
Package	Standalone	55%	36%	6%	3%
	Bundle	46%	44%	8%	2%
Access	DSL	46%	44%	8%	3%
	Cable	48%	43%	7%	2%
	Optical fibre (FTTx)	49%	41%	8%	2%
	Satellite	48%	38%	12%	2%
	Dongle/USB/Other	52%	38%	7%	2%
Usage - Business	3 or more hours/day	46%	44%	8%	2%
	Less than 3 hours/day	44%	45%	8%	2%
	Never	57%	34%	6%	3%

Participants in the switching exercise also found it generally easy to switch their ISP. Forty-five participants were of the opinion that switching providers is very or fairly easy, while 10 participants found the process to be fairly or very difficult (see table below).

Table 34. How easy was it to actually switch?

Source: Switching exercise (N=55; N indicates the number of switchers in the 5 countries).
Note: (a) The participants who found the process to be very difficult reported long periods of time without a connection, problems cancelling the contract with the old ISP, problems obtaining the necessary information to switch from the old ISP, and difficulties obtaining the contract from the new ISP.

Country	Very easy	Fairly easy	Fairly difficult	Very difficult
Bulgaria	13	1	0	0
Germany	3	3	3	1
Poland	1	5	2	2
Spain	2	6	0	2
United Kingdom	7	4	0	0
All 5 countries (number of participants)	26	19	5	5 ^(a)
All 5 countries (% of participants)	47%	35%	9%	9%

All switching exercise participants in Bulgaria and the United Kingdom reported that it was very or fairly easy to switch after they had decided on a provider. Similarly, a majority of the participants in Spain (8 of 10 participants), Germany, and Poland (6 of 10 participants in each country) found it very easy or fairly easy to switch, as indicated in the table. In spite of these overall positive results, the minority of switching exercise participants and survey respondents that did not experience switching as easy should not be ignored. This is reflected in the view voiced by some of the regulators interviewed for this study, who regarded the switching process as bureaucratic and inconsistent.

“Different processes [are] in place depending on what service the consumer is switching and what the underlying technology is. The processes have evolved over time and that has created some consumer confusion, and there is quite a stark difference between how easy or difficult a consumer finds a switching process, depending on which switching process they've gone through” (Regulator).

“In the switching process itself, the bureaucratic burden of switching can also be of importance, because, sometimes – more frequently when the process is not automated – some operators can be asking for a copy of the ID card and an exorbitant amount of files, authorisations and so on for the process to be concluded” (Regulator).

Additionally, the stakeholder survey asked national regulatory authorities (NRAs) to identify any issues associated with switching that in their view act as a barrier to changing provider. Twelve of the twenty NRAs that responded indicated they have observed such issues (see table).⁷¹

⁷¹ Based on results of National Regulatory Authorities' responses to Civic Consulting stakeholder survey, Q8: In your view, are there any issues or practices associated with the switching process which tie-in consumers and serve as barriers to switching providers?

Table 35. Barriers to switching identified by national regulatory authorities

Source: Survey of national regulatory authorities, Q8. (N=22)
Note: (a) i.e. a lack of choice for consumers due to absence of alternative providers may be an obstacle. Subscribers might also be unwilling to change provider because of excessive early termination fees applied by the provider (which the subscriber is obliged to pay in case of early termination of the agreement).

Country	Regulatory authority	Switching process issues/practices that tie-in consumers or serve as barriers?	Comments
BE	BIPT	Yes	The main switching costs are the fixed costs associated with the decoder, installation fee, etc.
BG	Communications Regulation Commission	No	No comment provided.
CZ	Czech Telecommunication Office (CTO)	No	Regulator has received complaints on the necessity to provide a contract identification number to the old provider.
EE	Estonian Competition Authority	Don't know	No comment provided.
IE	The Commission for Communications Regulation	Yes	No comment provided.
EL	National Telecommunications and Post Commission	n.a.	Possibly, if equipment is granted as part of the contract.
FR	Autorité de régulation des communications électroniques et des postes (ARCEP)	Yes	Change of terminal (box).
IT	AGCOM - Autorità per le garanzie nelle Comunicazioni	Yes	Switching time; deactivation not correctly handled.
LV	Republic of Latvia Public Utilities Commission	Don't know	No comment provided.
LT	Communications Regulatory Authority	No	No comment provided.
HU	National Media and Infocommunications Authority	n.a.	n.a.
MT	Malta Communications Authority	No	No comment provided.
NL	OPTA	Yes	An established switching process is needed for triple play bundles.
AT	RTR-GmbH	Yes	Losing the email address with the domain name of the provider.
PL	Office of Electronic Communications	Yes	No legal obstacles. Nevertheless, absence of alternative providers or excessive early termination fees may be obstacles. ^(a)
PT	Autoridade Nacional de Comunicações (ANACOM)	Yes	Multiple problems (see main text).
RO	National Authority for Management and Regulation in Communications	Yes	If the contract period has not expired, the subscriber would pay penalties/ fees for cancellation.
SI	APEK	Don't know	No comment provided.
SK	Telecommunications regulatory authority	Don't know	No comment provided.
SE	Swedish Post and Telecom Agency	Yes	Multiple problems (see main text).
UK	Ofcom	Yes	Multiple problems (see main text).
NO	NPT	Yes	Change of modem.

The principal concerns expressed by regulatory authorities seem to be unnecessary contractual hurdles placed by ISPs in consumers' paths to switching.⁷² As the Portuguese regulatory authority, ANACOM, explained:

"There are several situations in which undertakings demand compliance with complex, disproportionate and costly procedures on the termination of contracts and the presentation of several documents that are not required to contract a new service. On the other hand, these requirements, which vary from undertaking to undertaking, are not always clearly communicated to subscribers, who are thus forced to extend a contract that they do not intend to maintain because the request for termination did not follow scrupulously the procedures laid down".

This problem was also encountered by the national regulatory authority in the Czech Republic which explained that they had, "received complaints about the necessity to provide the identification number of the contract to the losing provider".

Similarly, the Swedish national regulatory authority suggested that:

"There are a number of contractual barriers for switching service provider. The long notice period combined with bundling and internal rebates ... makes it hard for consumers to switch service provider without suffering some cost or other mishap".

The UK regulatory authority, Ofcom, has recently published a strategic review of consumer switching⁷³ in which it identified a number of general and procedural barriers faced by switchers:

- ▶ Multiple switching processes;
- ▶ Back-end systems deficiencies: an estimated 130,000 households per annum have their line erroneously transferred;⁷⁴
- ▶ Slamming (i.e. switching consumers to a different provider without their consent);
- ▶ Vague or misleading information about the implications of switching;
- ▶ Difficulties for consumers in contacting multiple old providers;

⁷² In the survey of national regulatory authorities, NRAs were asked whether there is a time limit in their country for concluding the process of switching provider. A majority of NRAs (11 of the 20 NRAs that provided information on this aspect) responded that there is no time limit in their country, while the other NRAs answered that a time limit is set, either as a binding provision or in the law (6 NRAs, in Belgium, Estonia, France, Ireland, Slovenia, and the United Kingdom) or as a non-binding recommendation (3 NRAs, in Hungary, Italy, and the Netherlands).

⁷³ Ofcom. 2012. *Consumer switching: A consultation on proposals to change the processes for switching fixed voice and broadband providers on the Openreach copper network.*

⁷⁴ Back-end deficiencies refer to Internet service providers incorrectly identifying or validating the services and physical line that should be switched or poorly coordinating the processes required to complete the switch. Under some specific circumstances, the processes currently used to conduct switches may not be able to reliably identify the correct line to be taken over, and this can lead to use of the incorrect line.

- ▶ 'Reactive save' by the old provider (seeking to keep the consumer): Ofcom believes that this has a negative impact on competition as the old provider has privileged information and can make an offer to the consumer to prevent them from switching.

At first glance, there appears to be a contradiction between regulators' assessment of problems associated with switching and switchers' (survey respondents and participants in the switching exercise) overwhelming indication that the process is easy (see results above). However, as shown in the following section on problems experienced when switching provider, both the consumer survey and switching exercise revealed that around half of respondents and switching exercise participants experienced problems when they switched provider, despite generally assessing the process as very or fairly easy. This grounds regulators' concerns about barriers to switching in the consumer survey and switching exercise results by confirming the existence of problems cited by the regulatory authorities – many respondents and switching exercise participants experienced such problems but they still overwhelmingly saw switching as easy, thereby separating the switch from the problems experienced.

6.2.4 Problems experienced

Consumer survey results

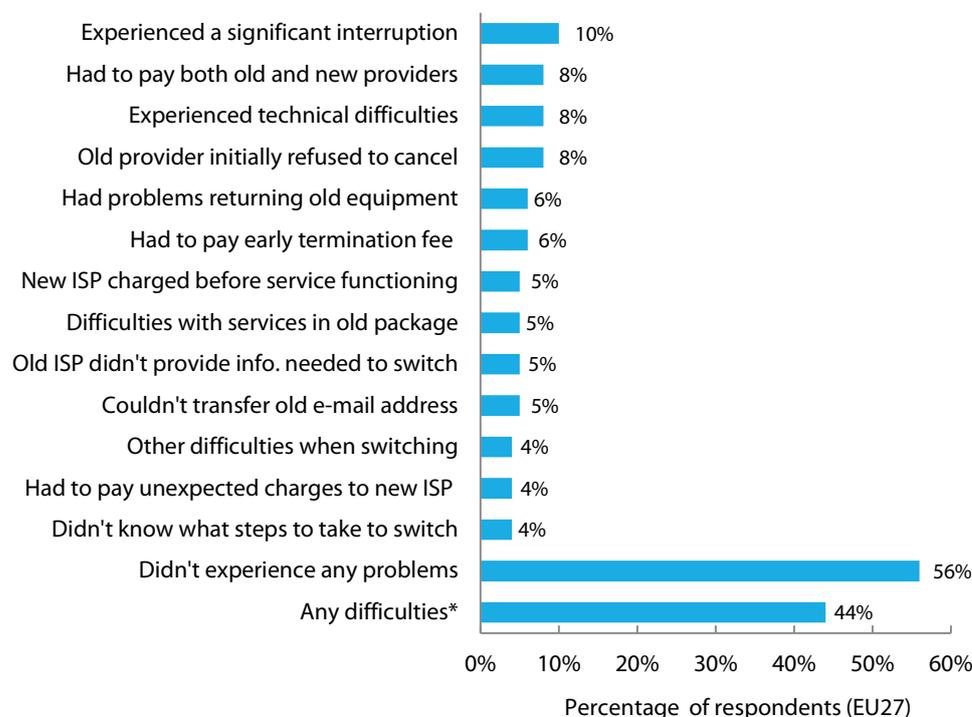
Although consumer survey respondents mostly found it easy to make the switch to a new provider, almost half (44%) say they experienced problems of some kind when switching. In some cases, these were technical problems: 10% experienced a significant interruption of their Internet service, and 8% had technical difficulties (e.g. with the new modem or router).

Other respondents had difficulties with the old provider. For example, 8% had problems cancelling the contract with the old provider, 8% had to continue paying the old provider even when they started paying the new one, and 6% had to pay an early termination fee to the old provider.

Figure 61. Problems experienced when switching

Source: Consumer survey, Q12: Did you experience any problems when switching? (N=10999 for EU27)

Note: *'Any difficulties' includes respondents who indicated one or more of the problems listed.



The table below shows the problems encountered at the individual country level. The table includes all problems mentioned by 5% or more of respondents (across the EU).

Respondents in Italy (52%) and France (50%) are the most likely to have had problems of some kind. Specifically, in Italy a relatively high proportion experienced interruptions to their service, while in France respondents were more likely than those in other countries to have to pay an early termination fee and to be unable to take their old email address with them. The proportion reporting problems is lowest in Cyprus (20%), Malta (25%), Estonia (26%), and Slovakia (28%).

Table 36. Problems experienced when switching, analysis by country

Country	Experienced a significant interruption	Old provider initially refused to cancel/delayed cancellation	Experienced technical difficulties	Had to pay both old and new providers	Had to pay early termination fee	Had problems returning old equipment	Couldn't take email address used with old ISP	Old ISP didn't provide info. to switch/wasn't reachable	Difficulties with other services in old package	New ISP charged for connection before it became functional	Any difficulties ^(a)	Didn't experience any problems
EU27	10%	8%	8%	8%	6%	6%	5%	5%	5%	5%	44%	56%
BE	10%	4%	7%	9%	8%	5%	9%	2%	4%	2%	42%	58%
BG	4%	5%	7%	6%	4%	3%	0%	1%	2%	3%	30%	70%
CZ	4%	8%	7%	13%	5%	4%	0%	2%	3%	1%	39%	61%
DK	5%	5%	9%	7%	4%	5%	5%	4%	6%	1%	41%	59%
DE	13%	12%	10%	5%	2%	5%	4%	6%	5%	5%	45%	55%
EE	2%	2%	7%	8%	1%	5%	0%	0%	2%	1%	26%	74%
IE	8%	7%	10%	8%	4%	4%	3%	3%	1%	6%	40%	60%
EL	7%	7%	9%	6%	7%	5%	4%	4%	2%	4%	41%	59%
ES	9%	6%	7%	7%	6%	4%	4%	4%	5%	5%	41%	59%
FR	12%	11%	8%	8%	13%	7%	11%	7%	5%	7%	50%	50%
IT	14%	8%	6%	7%	7%	9%	5%	7%	4%	4%	52%	48%
CY	2%	3%	0%	0%	3%	5%	9%	0%	0%	0%	20%	80%
LV	2%	8%	4%	8%	5%	4%	2%	2%	2%	1%	30%	70%
LT	3%	11%	7%	17%	6%	5%	1%	2%	2%	1%	42%	58%
LU	6%	4%	12%	7%	6%	1%	5%	2%	3%	4%	39%	61%
HU	3%	7%	8%	8%	1%	5%	3%	1%	3%	1%	33%	67%

Country	Experienced a significant interruption	Old provider initially refused to cancel/delayed cancellation	Experienced technical difficulties	Had to pay both old and new providers	Had to pay early termination fee	Had problems returning old equipment	Couldn't take email address used with old ISP	Old ISP didn't provide info. to switch/wasn't reachable	Difficulties with other services in old package	New ISP charged for connection before it became functional	Any difficulties ^(a)	Didn't experience any problems
MT	7%	8%	2%	5%	3%	8%	0%	2%	0%	1%	25%	75%
NL	7%	4%	7%	8%	4%	4%	7%	5%	5%	3%	36%	64%
AT	6%	4%	10%	9%	2%	5%	9%	2%	2%	3%	33%	67%
PL	5%	9%	9%	8%	6%	7%	4%	3%	3%	4%	44%	56%
PT	6%	11%	7%	7%	3%	7%	4%	4%	5%	1%	38%	62%
RO	7%	9%	2%	8%	4%	4%	1%	1%	1%	3%	31%	69%
SI	3%	4%	9%	5%	5%	10%	3%	2%	5%	3%	39%	61%
SK	4%	4%	6%	5%	4%	3%	3%	3%	2%	3%	28%	72%
FI	5%	5%	10%	9%	2%	1%	7%	4%	2%	4%	39%	61%
SE	8%	3%	9%	11%	7%	3%	8%	4%	3%	4%	44%	56%
UK	11%	7%	10%	9%	6%	6%	7%	9%	8%	7%	45%	55%
IS	12%	1%	7%	9%	4%	7%	8%	2%	6%	7%	41%	59%
NO	6%	3%	10%	13%	5%	4%	7%	2%	2%	4%	40%	60%

Source: Consumer survey, Q12. (N=10999 for EU27 / 11598 for all countries) Note: (a) Any difficulties include respondents who indicated one or more of the problems listed.

In the consumer survey, problems with switching were more likely to be reported by respondents in a number of different sub-groups: younger people aged 15-24 (53%); those in metropolitan zones (49%); and those using their home Internet connection for work, especially those doing so for three or more hours per day (54%). These findings are linked, as younger people are more likely to live in metropolitan zones and to be more intensive users of the Internet for work.

There are also differences by package type: those with a bundle (with their current provider) are more likely than those with standalone access to report problems (46% compared with 28%). Those with slow connection speeds below 2 Mbps (52%) and those with satellite access (62%) are also more likely to say they had problems.

For the various groups that are more likely to report problems, there are no specific problem types that account for the higher overall figure. In fact, the greater overall proportion is generally spread across the individual types of problem. The table below provides further details.

Table 37. Problems experienced when switching, analysis by age, locality, package, speed, type of Internet access, and business usage

	Sub-sample	Experienced a significant interruption	Old provider initially refused to cancel	Experienced technical difficulties	Had to pay old and new providers	Had to pay early termination fee	Had problems returning old equipment	Couldn't take old email address	Old ISP didn't provide info. to switch	Problem with other services – old package	Any difficulties ^(a)
Average	EU27	10%	8%	8%	8%	6%	6%	5%	5%	5%	44%
Age	15 to 24	14%	9%	11%	6%	7%	8%	5%	8%	7%	53%
	25 to 39	10%	9%	9%	7%	6%	6%	6%	5%	5%	45%
	40 to 54	9%	7%	7%	8%	6%	4%	5%	5%	4%	40%
	55 +	8%	8%	7%	8%	4%	5%	5%	4%	3%	40%
Locality	Metropolitan	11%	10%	10%	10%	7%	7%	7%	7%	6%	49%
	Urban centre	8%	8%	8%	7%	6%	6%	5%	5%	4%	43%
	Rural/Village	11%	7%	6%	6%	4%	5%	5%	5%	3%	40%
Package	Standalone	5%	5%	6%	5%	3%	3%	3%	3%	2%	28%
	Bundle	10%	9%	8%	8%	6%	6%	6%	6%	5%	46%
Speed	Up to 2 Mbps	13%	11%	11%	9%	6%	7%	5%	9%	8%	52%
	2 to 12 Mbps	10%	8%	9%	8%	7%	5%	5%	5%	5%	46%
	12 to 30 Mbps	8%	7%	8%	7%	5%	6%	5%	4%	4%	39%
	> 30 Mbps	10%	7%	6%	9%	4%	4%	6%	3%	5%	37%
Access	DSL	11%	9%	8%	7%	6%	5%	5%	5%	4%	43%
	Cable	8%	6%	9%	10%	6%	6%	5%	6%	5%	43%
	Optical fibre (FTTx)	10%	10%	8%	9%	6%	6%	8%	6%	7%	48%
	Satellite	5%	6%	11%	8%	7%	13%	13%	7%	7%	62%
	Dongle/USB/Other	5%	8%	7%	8%	5%	2%	4%	3%	3%	34%
Usage - Business	3 or more h. /day	12%	11%	10%	9%	8%	8%	8%	7%	7%	54%
	Less than 3 h. /day	9%	7%	7%	7%	5%	5%	5%	5%	4%	41%
	Never	7%	6%	7%	7%	4%	3%	3%	3%	2%	33%

Source: Consumer survey, Q12. (N=10999 for EU27). Note: (a) 'Any difficulties' percentages include respondents who indicated one or more of the problems listed.

Problems encountered by participants in the switching exercise

The switching exercise illustrates some of the problems and consumer frustration with the switching process. In line with the consumer survey (in which 56% of respondents reported a problem-free experience – see the discussion of relevant survey results above), just under half of the switching exercise participants reported experiencing no problems when switching their ISP (see table below). However, experiences vary significantly across countries.

Table 38. Did you experience any problems when switching?

Country	No	Yes	No answer
Bulgaria	14	0	0
Germany	4	6	0
Poland	1	9	0
Spain	3	7	0
United Kingdom	5	4	2*
All 5 countries (number of participants)	27	26	2
All 5 countries (% of participants)	49%	47%	4%

Source: Switching exercise. (N=55; N indicates the number of switchers in the 5 countries).
Note: * Some UK participants still had not had their services migrated by the end of the exercise. Thus, two participants were unable to provide an answer.

None of the participants in Bulgaria reported that they experienced problems when switching their ISP. All participants in this country had contracts without any minimum binding period (including for example prepaid arrangements⁷⁵) and could therefore switch rapidly.

In the United Kingdom, the majority of participants who provided information on the issue answered that they also did not experience any problems during this process (5 of 9 participants). As already mentioned above, the Bulgarian and British participants are also those who found it the easiest to switch (almost all Bulgarian participants and 7 of 11 British participants found it very easy to switch).

In contrast, almost all participants experienced problems in Poland (9 of 10 participants) and a majority of participants in Germany and Spain reported negative experiences when switching their providers (6 of 10 and 7 of 10 participants, respectively). These participants are also those who made more contrasted assessments concerning the ease of the switching process. In Germany, Poland, and Spain, even if almost half of the participants found it fairly easy to switch (14 of 30

⁷⁵ In Bulgaria, such contracts may be cancelled at any time without prior notice, because the service is prepaid. The service is paid at the beginning of every month and the Internet signal is usually blocked one to two days after the period is over, unless the user has paid for the next period. Switching exercise participants in Bulgaria reported appreciating this type of service, in part because they had contracts without a minimum binding period, which allowed them to terminate their contracts easily.

participants in total), only a fifth found it very easy (6 participants), and a third found it fairly or very difficult (10 participants). The following comments made by participants in the switching exercise in Spain illustrate some of the problems experienced:

"Once I terminated the contract with the previous company, I started a new contract with the new company who informed me that the former were refusing to permit me to switch" (One switching exercise participant in Spain).

"I still haven't been charged but I have been informed that I will be penalized for terminating my contract. And I understood that in the contract I was not going to be penalized." (Another participant in Spain)

As shown in the figure below, the most frequent problem reported by switching exercise participants in the five countries relates to a significant interruption of their Internet service when switching (9 participants). Just under a third of the participants who experienced problems had technical difficulties (8 participants). Other problems frequently reported by switching exercise participants include the old provider initially refusing to cancel or delaying the cancellation of their contract (7), the payment of an early termination fee to their old provider (6 participants), and the payment of charges or costs to the new provider that the participant was not aware of before signing the contract (6 participants).

Figure 62. Problems experienced by switching exercise participants when switching (multiple answers possible)

Source: Switching exercise. (N=55; N indicates the number of switchers in the 5 countries)



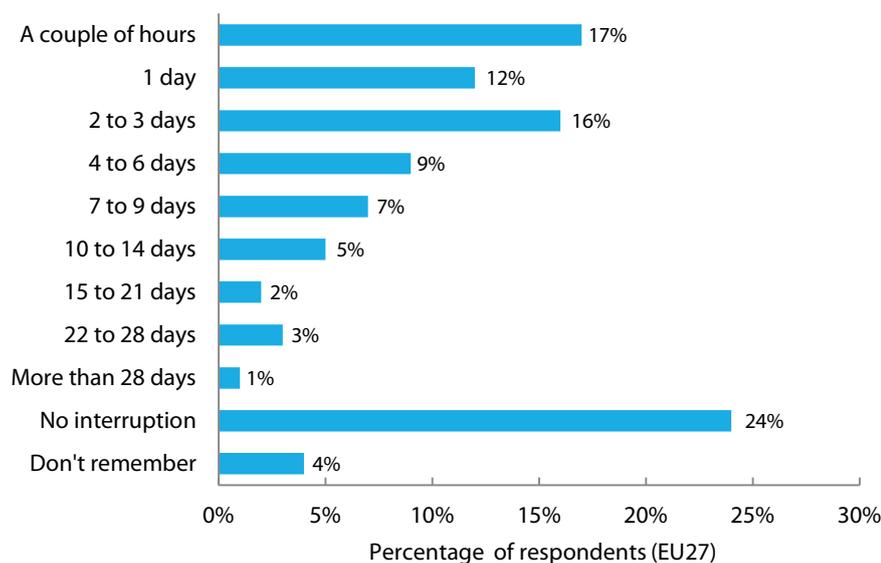
6.2.5 Duration of connection loss due to switching

Consumer survey results

Survey respondents who had switched Internet provider in the last three years were asked how long they spent without Internet access due to the switching process. A quarter (24%) of the respondents in the switchers sample report that there was no interruption, which means most switchers did experience an interruption in service. Where there was an interruption of some kind, on average respondents were without Internet access for 4.7 days. However, this average covers a wide range. At one extreme, some respondents had an interruption of just a couple of hours (17%), while other respondents say they were without Internet access for a week or more (18%), including 6% who lost their connection for more than two weeks.

Figure 63. Time without Internet due to switching process

Source: Consumer survey, Q10: Please estimate how long you were without Internet access due to the switching process to your current Internet service provider. Note: Respondents who switched provider because they were moving house were excluded from this question. (N=9368)



There is substantial variation in the mean interruption by country. Respondents in France (6.3 days), Germany, and Italy (both 5.3 days) had the longest reported mean interruptions, while those in Slovenia (1.8 days) and Estonia (1.6) had the shortest. Generally, respondents in the EU15 experienced longer mean interruptions than those in the EU12. One possible explanation is that, as seen above in Section 3.2.3, respondents residing in the EU15 are more likely than those in the EU12 to have DSL-based Internet connections. As Figure 64 shows below, there is a robust positive correlation between the market share of DSL and the mean interruption when switching, as reported by consumer survey respondents.

In the following countries, a relatively high proportion of respondents reported no interruption to their Internet access: Hungary (44%), Finland (44%), Estonia (43%), the Czech Republic (42%), and Sweden (42%).

Table 39. Time without Internet due to switching process, analysis by country

Source: Consumer survey, Q10.
Note: (a) Excludes 'Don't remember' and 'No Interruption'.
(N=9368 for EU27 / 9872 for all countries)

Country	Average time without Internet in days ^(a)	No interruption	Don't remember
EU27	4.7	24%	4%
FR	6.3	16%	3%
DE	5.3	24%	2%
IT	5.3	15%	4%
BE	5	35%	4%
CY	4.9	27%	4%
DK	4.5	32%	10%
PL	4.5	27%	5%
SK	4.4	30%	6%
LU	4.4	29%	1%
EL	4.4	13%	7%
UK	4.3	24%	5%
FI	4.1	44%	7%
RO	4	25%	4%
CZ	3.9	42%	5%
SE	3.8	42%	7%
NL	3.8	38%	6%
HU	3.6	44%	4%
PT	3.5	29%	5%
ES	3.3	20%	3%
IE	3.1	25%	4%
MT	3	39%	0%
AT	2.8	36%	3%
BG	2.6	26%	2%
LT	2.5	38%	5%
LV	2	37%	5%
SI	1.8	29%	5%
EE	1.6	43%	7%
IS	2.2	15%	0%
NO	4	36%	9%

Interruptions experienced by participants in the switching exercise

Compared to the 24% of consumer survey respondents who switched without a service interruption, more than half of the switching exercise participants (33 participants) experienced no interruption when they switched. Notably, however, 14 of those participants are from Bulgaria. In that country, participants personally handled the switching process and, because they all had contracts without a

minimum duration, they were easily able to plan the termination/starting dates of their old/new connections.

In Spain and the United Kingdom, most participants did not experience any interruption of service, and when they did experience it, the interruption was usually short (from a couple of hours to up to 3 days). One participant in the United Kingdom, however, was without access for a week because his router had to be replaced.

In contrast, in Germany and Poland, two thirds of participants lost their Internet connection for at least 4 days during the switching process. In these countries, 2 participants experienced an interruption of between 4 and 6 days, 4 between 10 and 28 days, and 2 of a month or more. For example, a German participant terminated her contract with her old provider at the end of March 2012 but was not supplied with an Internet connection from her new provider before the beginning of May 2012.

Table 40. Continuity of service during switching process

Source: Switching exercise. (N=55; N indicates the number of switchers in the 5 countries)

Country	No interruption of connection	Interruption of connection	No answer
Bulgaria	14	0	0
Germany	4	5	1
Poland	3	7	0
Spain	6	4	0
United Kingdom	5	4	2
All 5 countries (number of participants)	33	19	3
All 5 countries (% of participants)	60%	35%	5%

Links between market characteristics and the duration of interruptions

Interruptions to service were also seen as problematic by interviewed stakeholders. For example, one national regulatory authority commented that:

"[Lack of service while switching] is a common problem. But, the importance of that problem is decreasing over time, because the operators are conscious that it's not a good idea to have this initial problem when they establish a relationship with a new consumer, so they are more keen on providing the correct information to the consumer about the period they might be without Internet" (Regulator).

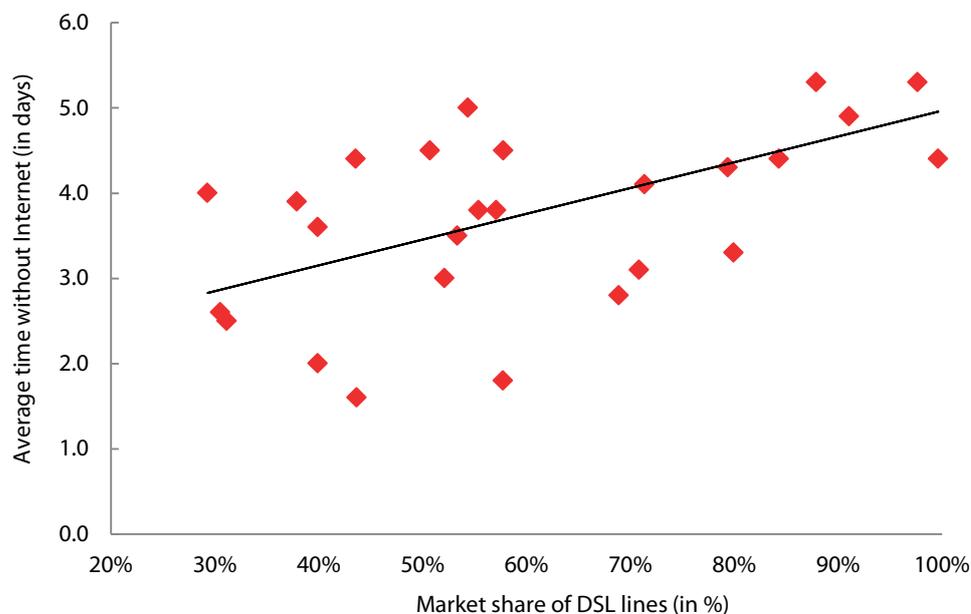
Notably, there is a positive correlation (0.58)⁷⁶ between the interruption period reported by consumer survey respondents and the market share of DSL. This might suggest that where competition at the wholesale level (between services based on different technologies) is weak, consumers suffer from longer interruptions when

⁷⁶ Significance level: p<0.05.

switching – a higher DSL market share may indicate less wholesale level competition between technologies and be linked with a stronger role for the incumbent provider, as they are often former telecoms.

Figure 64. Relationship between market share of DSL and average interruption

Source: Consumer survey, Q10 (average time without Internet in days) and Digital Agenda Scoreboard database (market share of DSL lines, January 2011).
Note: Each dot represents a country. (N for Q10=9368)



This perception is supported by interviewed stakeholders who saw switching as generally harder when the consumer wishes to switch away from the incumbent.

“It still depends on whether you want to go to an incumbent operator. If you want to go to an incumbent operator normally it is easier than if you want to go to a competitive operator” (Consumer organisation).

“The dynamics you find, systematically, is that the dominant operator is trying to make switching very difficult. They still own 50% of the market, so they try to make the switching procedure completely difficult. The new entrants try to make it as easy as possible. They have something to gain from this. This is a dynamic you can find. For the new entrant, it should be sufficient to make a simple telephone call by the consumer of the intent to change provider. The incumbent will want the signature, the identity card, things like that” (ISP association representing new entrants).

6.3 SATISFACTION WITH SWITCHING OUTCOMES

This section reports the levels of post-switch satisfaction indicated by consumer survey respondents as well as the participants in the switching exercise. First the consumer survey results are presented and then the results of the switching exercise.

The key findings are that:

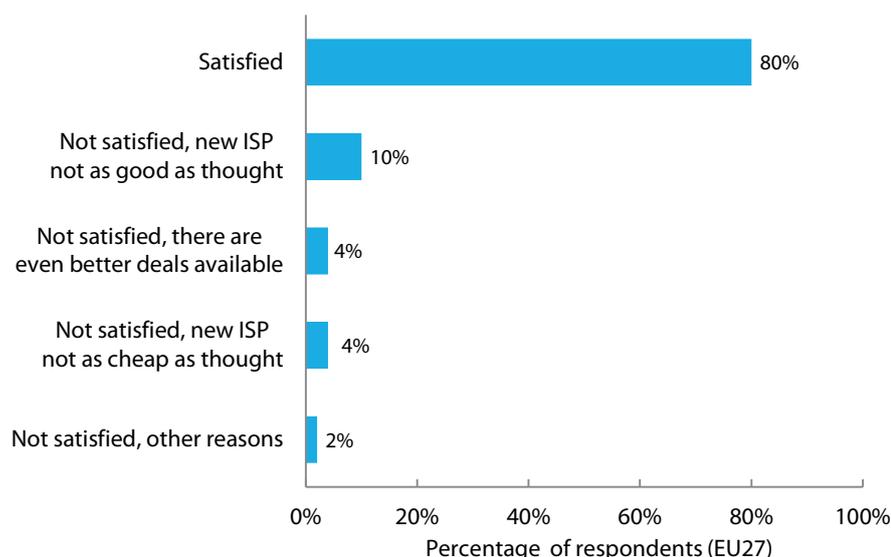
1. Consumer survey respondents reported a high level of satisfaction with switching: 80% of those who had switched were satisfied with the outcome (while 20% were not satisfied);
2. Satisfaction levels are generally consistent across different EU Member States;
3. Respondents with new (i.e. post-switch) connection speeds above 12 Mbps were more satisfied than average, while those with lower speeds were less satisfied;
4. More than two thirds of switching exercise participants reported they were satisfied that they had switched their provider, though in contrast to the consumer survey results this ratio differed by country;
5. Where switching exercise participants were not satisfied, the following problems had occurred: loss of connection for a significant duration; technical difficulties with new service; charges for the new connection before it became functional; and non-transferable email accounts.

6.3.1 Consumer survey findings

In most cases (80%), consumer survey respondents who have switched say that they are now satisfied (see figure below). The remainder (20%) say they are not satisfied, either because the new provider is not as good as they thought (10%), because the new provider is not as cheap as they thought (4%), because they realise that there are even better deals available (4%), or for other reasons (2%).

Figure 65. Satisfaction with switching provider

Source: Consumer survey, Q13: Would you say you are satisfied now that you have switched Internet service provider? (N=10999)



As shown in the following table, satisfaction levels are generally consistent across different EU Member States. Respondents in Cyprus (92%), Estonia (88%), and Austria

(88%) are most likely to say they are satisfied, while the proportion is somewhat lower in Portugal (72%) and Ireland (74%).

Table 41. Satisfaction with switching provider, analysis by country

Source: Consumer survey, Q13.
(N=10999 for EU27 / 11598 for all countries)

Country	Satisfied	Not satisfied, new provider not as good as thought	Not satisfied, new provider not as cheap as thought	Not satisfied, even better deals are available	Not satisfied, other reasons
EU27	80%	10%	4%	4%	2%
CY	92%	5%	3%	0%	0%
EE	88%	5%	1%	4%	2%
AT	88%	7%	1%	2%	2%
LV	85%	4%	4%	5%	3%
LU	84%	11%	2%	0%	3%
UK	84%	8%	5%	3%	1%
CZ	83%	7%	3%	5%	3%
DK	83%	8%	5%	1%	2%
FR	82%	7%	4%	5%	2%
MT	82%	12%	1%	0%	4%
NL	82%	10%	3%	1%	4%
DE	81%	11%	3%	3%	2%
IT	80%	9%	7%	3%	0%
LT	80%	11%	3%	5%	1%
HU	80%	8%	2%	6%	3%
FI	80%	11%	2%	3%	4%
BE	79%	9%	6%	3%	3%
EL	79%	10%	4%	5%	2%
SK	79%	9%	4%	5%	3%
ES	78%	9%	7%	5%	2%
PL	78%	12%	4%	6%	1%
RO	77%	13%	4%	3%	3%
SE	77%	13%	3%	3%	4%
BG	76%	17%	3%	4%	0%
SI	75%	10%	6%	4%	5%
IE	74%	12%	8%	3%	3%
PT	72%	11%	4%	6%	7%
IS	77%	11%	7%	0%	5%
NO	79%	7%	7%	2%	5%

Levels of satisfaction are also generally consistent across different demographic groups, although those with post-graduate level degrees are less likely to be satisfied.

Satisfaction is higher among those with faster connection speeds (new provider): respondents with connections above 12 Mbps were more satisfied than average (85% with speeds above 30 Mbps) and those with lower speeds were less satisfied.

Table 42. Satisfaction with switching provider, analysis by education and connection speed

Consumer survey, Q13. (N=10999 for EU27)

	Sub-sample	Satisfied	Unsatisfied, new provider not as good as thought	Unsatisfied, new provider not as cheap as thought	Unsatisfied, even better deals are available
Average	EU27	80%	10%	4%	4%
Education	Elementary school or less	83%	11%	2%	2%
	Some high school	82%	10%	4%	2%
	High school graduation	81%	9%	4%	4%
	University graduation	81%	9%	4%	4%
	Post-graduate degree	76%	12%	6%	5%
	Other qualification	81%	7%	5%	4%
Speed	Up to 2 Mbps	79%	9%	6%	4%
	>2 to 12 Mbps	78%	11%	5%	4%
	>12 to 30 Mbps	83%	8%	4%	3%
	More than 30 Mbps	85%	6%	3%	3%

6.3.2 Switching exercise participants' satisfaction with their new providers

In our switching exercise more than two thirds of participants (38 participants) reported they were satisfied that they had switched their provider.⁷⁷ The other participants were not satisfied primarily because the new provider was not as good or as cheap as they had thought (8 and 4 participants, respectively).

The following table shows all of the switching exercise participants' responses regarding their level of satisfaction with their new provider.

⁷⁷ As mentioned above, this exercise consisted of panels of switching exercise participants in six countries (Bulgaria, Germany, Poland, Spain, Sweden, and the UK) who actually switched their provider.

Table 43. Satisfaction with new provider

Source: Switching exercise. Note: *
The duration of the switching process in the UK varied significantly for participants. Some participants still had not had their services migrated to their new providers by the time of the focus group discussion. As a result, four participants were unable to assess their new providers before the close of the exercise. (N= 55; N indicates the number of switchers in the 5 countries)

Country	Satisfied	Not satisfied because new ISP not as good as thought	Not satisfied because new ISP not as cheap as thought	Not satisfied because even better deals are available	Not satisfied because of other reasons	No answer
Bulgaria	13	1	0	0	0	0
Germany	8	1	0	0	1	0
Poland	5	3	2	0	0	0
Spain	7	1	2	0	0	0
UK	5	2	0	0	0	4*
All 5 countries (participants)	38	8	4	0	1	4
All 5 countries (% participants)	69%	15%	7%	0%	2%	7%

Almost all participants (13 participants) in Bulgaria were satisfied. The only participant who was not satisfied explained that she was disappointed with the coverage of her new provider of mobile Internet.

More than two thirds of participants in Germany (8 participants) and Spain (7 participants) also indicated their satisfaction with having switched their provider. The two participants who are not satisfied in Germany referred to long waiting time, technical difficulties with the new service, charges that had to be paid for the new Internet connection before it became functional, and to charges or costs that they were not aware of before signing the contract with the new provider. In Spain, two of the unsatisfied participants indicated that their new providers are not as cheap as they had thought. The other Spanish participant who is not satisfied with the new provider found that the quality of the customer service is worse than with the previous ISP.

In Poland and the United Kingdom only about half of the participants reported that they were satisfied with their new ISP. In Poland, participants who reported that their new provider was not as good as they had thought experienced a loss of their Internet connection for a significant amount of time (2 participants), and technical difficulties with the new service (1 participant). In one case, the new provider charged for the new Internet connection before it became functional, and in another case the participant could not take the email address that he used with his old provider with him. In the United Kingdom, one of the participants was not satisfied because the connection broke down 30 minutes after it was installed. Upon contacting the provider, the participant was told that there would be a substantial charge to send an engineer out. Later the participant was told that there would be an even more

substantial charge, though the issue was eventually resolved upon threatening to cancel the contract.

In some cases, switching exercise participants said that they may switch again, as indicated by one participant in Spain:

"I am happy with the switch. The service is faster and more economical. But I don't think I will stay with this company very long, because the old provider has been in touch with me to improve the offer I have at the moment" (a switching exercise participant in Spain).

In Bulgaria, participants indicated their intention to monitor the market and possibly switch again if better offers appear; but in this respect expressed concerns with their new providers' minimum contract periods.

In the United Kingdom, focus group discussions suggested that when problems were experienced, participants in the switching exercise tended not to dwell on them once the service was installed and working properly. However, these problems may have an adverse effect on the future decision to switch, as illustrated by the comment of one participant in this country:

"I can't be bothered with the hassle of changing and I wouldn't want to change again for a few more years if I can help it" (a switching exercise participant in the United Kingdom).

6.4 SURVEY RESPONDENTS' REPORTED SAVINGS FROM SWITCHING PROVIDER

A consumer survey question asked those respondents who had switched provider during the last three years to indicate their approximate monthly savings since switching to their new Internet service provider (ISP). The results of this question are discussed below.

The key findings are that:

1. Consumer survey respondents who saved money by switching reported average savings of 14.7 Euro per month across the EU27 since switching provider, with little variation by age group and speed of connection, but a significant difference between those who have broadband access as a standalone product (11.5 Euro) and those who have it as part of a bundle (15.0 Euro);
2. The average amount survey respondents report saving per month varies substantially by country: the highest amount is in Cyprus (23.7 Euro per month), while the lowest amounts are in Bulgaria, Romania, Lithuania, and Latvia;

3. In the EU15 Member States consumer survey respondents generally pay more for broadband but can realise greater savings from switching than respondents in the EU12 Member States; and, where the market share of DSL is high, which is often linked with the incumbent having a strong market share at the wholesale level, consumers tend to pay more and can gain more by switching.

The potential savings from switching are influenced by several factors, notably the current package the consumer uses and the availability of equivalent packages. Consumers may save money by switching to an equivalent package (i.e. the same bundle of services and the same connection speed) or may pay more by switching to a different package, perhaps containing more services and/or offering a higher connection speed. This may be particularly the case as ISPs begin to offer fibre based services across a wider geographic area. Thus consumers may gain a cost saving by switching to an equivalent or lesser package or may gain higher benefits by upgrading their package with the same or a different supplier.

The consumer survey found significant reported savings from switching provider. Small proportions of respondents indicated that they now pay more (6%), about the same (11%), or cannot compare the two monthly bills because the packages are different (8%); however, where respondents say that they pay less with their new provider, the average amount saved per month is 14.7 Euro.⁷⁸

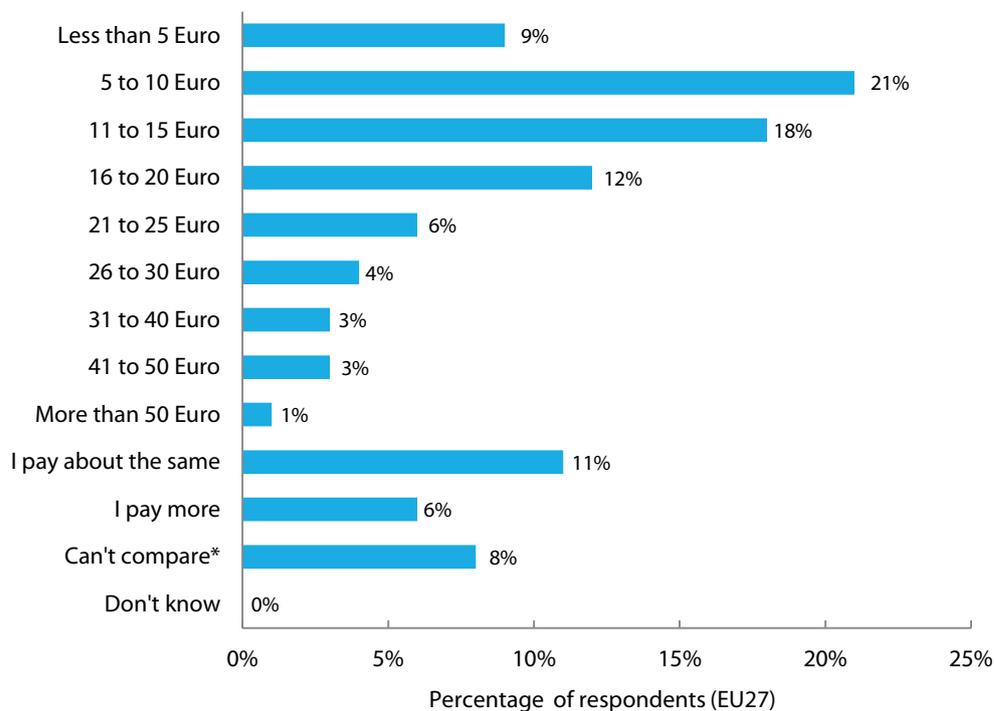
As shown in Figure 66 below, the most common answers are between 5 and 10 Euro (21%) saved and between 11 and 15 Euro (18%).

There is little variation across age groups and speed of connection, but a significant difference between those who have broadband access as a standalone product (11.5 Euro) and those who have broadband as part of a bundle (15.0 Euro). This would suggest that the savings come from multiple elements of the bundle and may not be accounted for entirely by a lower cost of the broadband access element.

⁷⁸ This average amount saved per month, as well as the country-specific averages presented in the next table, is constructed based on the responses of the three quarters of survey respondents who did indicate a savings since switching provider (in the EU average). That is, the responses of survey participants who indicated that they 'pay about the same' or now (post-switch) 'pay more' are not included in the average per month savings figures.

Figure 66. Amount saved since switching provider

Source: Consumer survey, Q8: Approximately how much do you save per month since switching to your new Internet service provider, when comparing your average monthly bill now with the average monthly bill of your old provider (including all costs and charges for other services in the package, such as telephony or TV, if applicable)? (N=10999 for EU27)
Note: *Since I now have a package that includes different services.

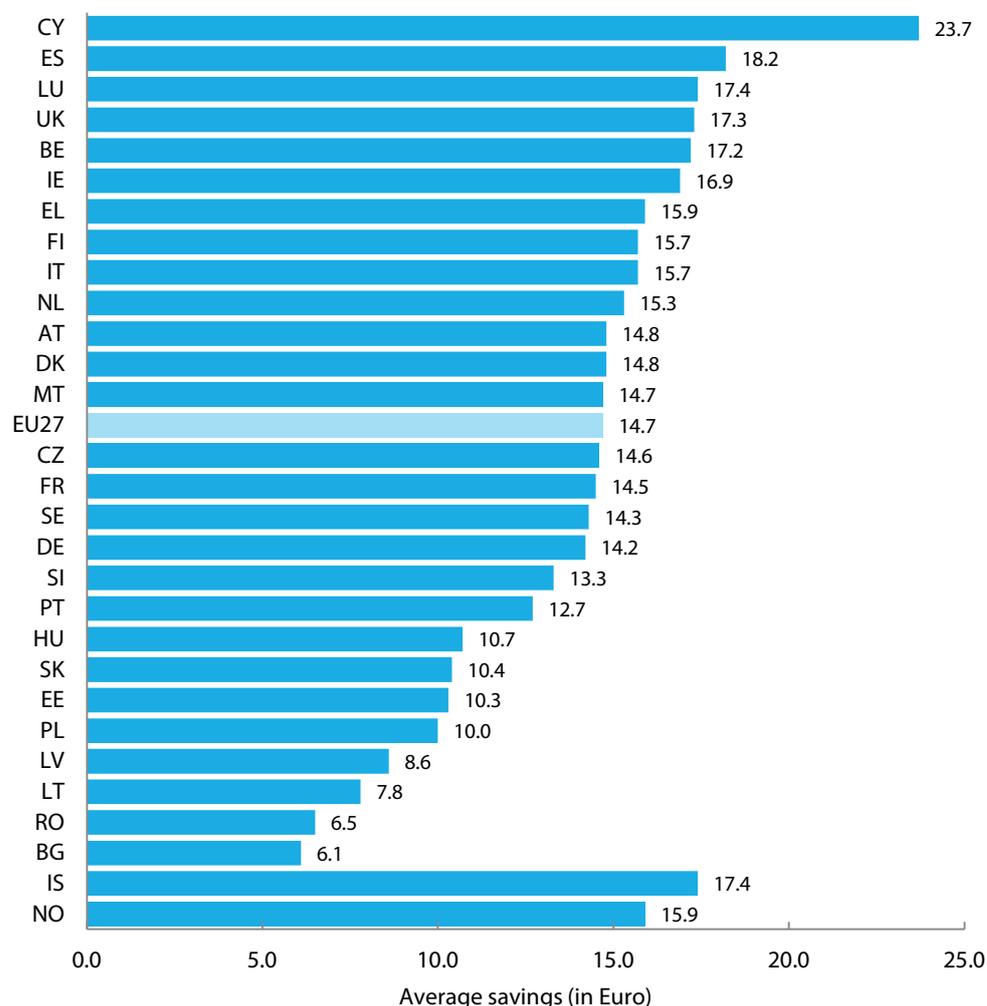


The amount survey respondents report saving per month varies substantially by country (as shown in the figure below). By far the highest amount is in Cyprus, where on average respondents say they have saved 23.7 Euro per month. The lowest monthly savings are seen in Bulgaria, Romania, Lithuania, and Latvia; the figure is less than 9.0 Euro per month in each of these countries. In general, the monthly savings tend to be lower in EU12 Member States.

There are also a number of countries where respondents are more likely to say that they pay more or about the same as they did with their previous provider: Norway (41%), Romania (31%), Sweden (30%), and Slovakia (28%). Respondents in Italy (9%) and Austria (11%) are least likely to say they pay more or the same as they did previously.

Figure 67. Average reported monthly savings

Source: Consumer survey, Q8.
Note: average savings figures are based on the responses of those survey participants who indicated that they have achieved a post-switch monthly savings. (N=10999 for EU27 / 11598 for all countries)

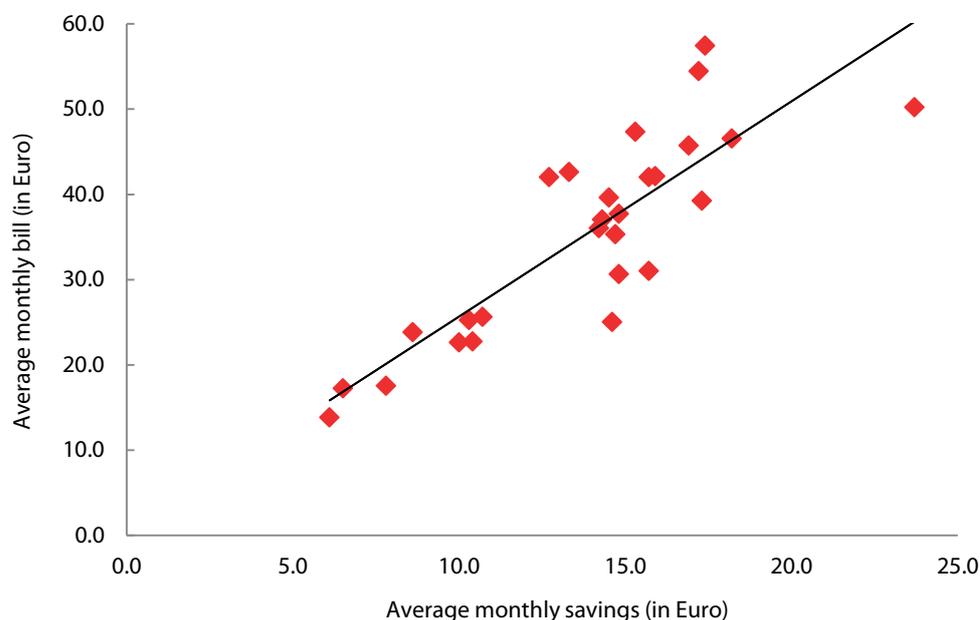


Examining the relationship between reported monthly savings and current prices, we find that there is a strong and positive correlation between the reported average savings from switching and the average monthly bill reported by respondents (0.85).⁷⁹ This correlation is shown in the figure below.

⁷⁹ Significance level: $p < 0.001$.

Figure 68. Relationship between monthly bill and monthly savings

Source: Consumer survey, Q3 (monthly bill) and Q8 (monthly savings). Note: both questions refer to respondents' new (post-switch) provider, and each dot represents a country. (N for Q3=27668 / for Q8=10999)



We also find a strong and positive correlation (0.75) between the average reported saving per month and the market share of DSL and between the market share of DSL and average monthly bill (0.69).

These correlations indicate that where the market share of DSL is high, which is often linked with the incumbent having a strong market share at the wholesale level, consumers tend to pay more and can gain more by switching.⁸⁰ Conversely, where infrastructure competition has been established, consumers already pay less and cannot make such strong savings by switching. Eight of the ten countries where survey respondents reported the lowest savings are EU12 Member States, whereas nine of ten countries with the highest savings are EU15 Member States (see the table identifying savings per country above). Referring back to Figure 49, the same EU12 Member States have the lowest level of switching. Of course, when interpreting these figures, one also has to take into account that average prices paid by consumers, as reported by respondents to our survey, tend to be lower in the EU12,⁸¹ which obviously affects savings achievable by switching.

⁸⁰ As with any correlation, this does not show cause and effect, only the relationship between two sets of data.

⁸¹ The nine countries in which survey respondents reported the lowest average monthly bill are all EU12 Member States. Respondents in Malta also reported monthly charges below the EU average, which means that of the EU12 Member States, only Slovenia and Cyprus were, based on respondents' indications, found to have monthly bills above the EU average.

6.5 ASSESSMENT OF POTENTIAL SAVINGS FROM SWITCHING PROVIDER

In addition to the consumer survey results on average monthly savings presented above, we have undertaken an in-depth economic analysis aimed at estimating the savings that could be achieved by consumers in the EU, as well as Iceland and Norway, switching their provider. This analysis has yielded aggregate figures for all 29 countries, plus a final sum, but it also provides average yearly savings at the household level for each of the countries.

The full results are presented below, but first the methodology underlying the analysis is included in summarised form (please see Annex 1 for a detailed explanation of the full methodology as well as examples which help to clarify the various calculations involved).

The key findings are that:

1. In aggregate, we estimate that consumers in the EU27 Member States could save between 7,289.5 million Euro and 8,606.7 million Euro per year by switching from their current provider to the provider offering the cheapest tariff for the same service elements;
2. This is equivalent to an average household savings of between 105.3 and 123.2 Euro per year when switching provider, or 8.8 to 10.3 Euro per month. This is less than the savings reported by consumer survey respondents who indicated average savings of 14.7 Euro per month across the EU27 after switching provider;⁸²
3. Countries for which estimated savings per household are relatively high include Austria, Cyprus, Denmark, Italy, Luxembourg, Poland, Slovakia, Sweden, and the United Kingdom (average household savings of between 9.7 and 20.1 Euro per month);
4. For the EU27, the average financial (time) cost associated with switching provider is 31.9 Euro per household, assuming the switching efforts are made during work time, and 9.6 Euro if they are made in leisure time;
5. The net saving of switching in the first year is estimated at between 73.4 Euro and 113.6 Euro per household, not taking into account any termination fee that might be due. High termination fees therefore significantly reduce potential savings from and incentives for switching if consumers only consider first year outcomes.

⁸² As mentioned earlier, the figure of 14.7 Euro is based on the three quarters of survey respondents that reported saving money by switching provider (in the EU average). See Footnote 78.

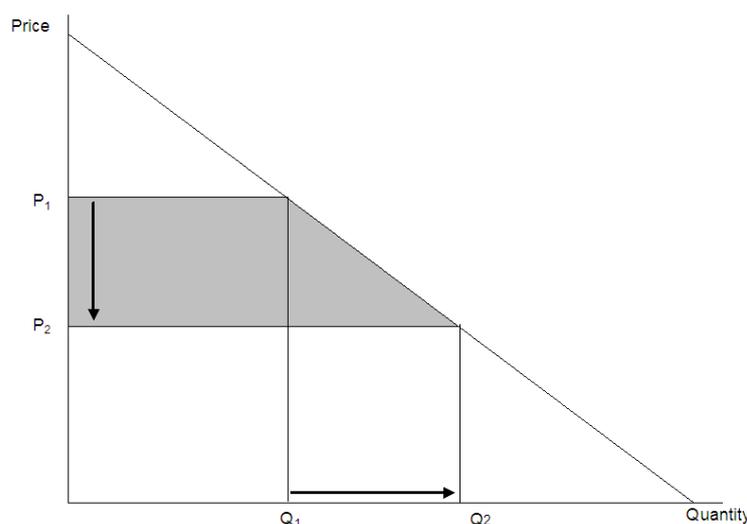
6.5.1 Methodology for the economic analysis

The economic analysis provides a monetary quantification of the consumer welfare gains (the so-called “consumer surplus benefits” in economic theory) that could be achieved if consumers in the 29 countries subject to this market study switched their Internet service provider (ISP).

Consumer surplus is a measure of the welfare that consumers gain from the consumption of goods and services, or a measure of the benefits they derive from the exchange of goods. Consumer surplus is the difference between the total amount that consumers are willing and able to pay for a good or service (indicated by the demand curve) and the total amount that they actually do pay (the market price for the product). Consumer surplus for a certain market can be calculated by adding up the consumer surplus enjoyed by all the consumers who have bought the product. Consumer surplus changes when the market price of a product changes, or a consumer obtains the same product for a lower price, e.g. by switching provider. As illustrated in the figure below, when the price of Internet access or a bundle including Internet access (hereafter referred to as Internet products) changes from p_1 to p_2 , the increase in consumer surplus is the area under the demand curve and between these two prices. It is represented by the shaded area in the figure below.

Figure 69. Changes in consumer surplus due to switching to a provider with lower prices for the same product or service

Note: Shaded area represents consumer surplus



Consumer surplus includes welfare gains for those consumers that already have access to a specific Internet product and now purchase it at a lower price (the rectangular shaped shaded area in the figure above), and welfare gains for other consumers that were previously not able or willing to purchase this Internet access, but would now do so because of lower prices (the triangular shaped shaded area). We will focus our assessment on the changes in consumer surplus due to lower prices for those consumers who already have Internet access, thereby providing a conservative estimate of potential welfare gains.

Indeed, the assessment exclusively identifies the monetary gains achievable by switching to the same type of package, with the same or higher advertised speed range, offered at a lower price. Savings are calculated on the basis of price data in the BIAC database, which is the most complete available dataset on prices offered by ISPs. It provides price data for a total of 3,214 offers from those ISPs that provide broadband services to 90% of consumers with Internet access in each of the 29 domestic markets relevant for the study.⁸³

A number of aspects of the methodology are important to consider when interpreting the results:

- ▶ Our estimate of consumer welfare gains includes potential savings achieved by switching provider for standalone fixed-line broadband Internet access and for several types of bundles which include fixed-line broadband Internet access and other services;
- ▶ The assessment includes the savings for all components of a bundle (i.e. we do not isolate the cost of the Internet connection component);
- ▶ The potential savings are calculated on the assumption that households will switch to the same type of package (e.g. standalone or Internet access and fixed telephony); we also assume that households will choose a service with the same or higher advertised speed range, as long as it is cheaper;⁸⁴
- ▶ If there is generally a downward trend in prices for Internet provision then one may expect existing customers to be paying a higher price than the new subscriber price identified in the BIAC database used for the analysis; therefore, the gains from switching may be larger than we have calculated, because many existing customers may switch from a higher price point.
- ▶ Potential future market developments resulting from increased switching are not considered;
- ▶ We have focused on the offers of the largest providers that jointly cover at least 90% of the domestic market;
- ▶ We filter the number of households that can switch according to technological restrictions (i.e. coverage rates for different Internet access technologies) and the availability of sufficient number of providers – other factors that may influence offer availability are not considered;
- ▶ Also not considered are the potential (non-monetary) welfare gains that consumers could achieve by obtaining better services (such as a faster connection) for the same price.

The following table provides an overview of the main data sources that we have used for the economic analysis.

⁸³ See: https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/study_broadband_access_costs.pdf.

⁸⁴ We assume that households switch to the provider offering the cheapest tariff for the same service.

Table 44. Data requirements and sources for the assessment of potential savings

Data requirements	Data sources
Prices offered by Internet service providers by product combination and country	Broadband Internet Access Cost (BIAC) database prepared for the Directorate General for Communications Networks, Content and Technology (DG CONNECT) of the European Commission, data as of 02/2011.
Percentage of households with broadband Internet access by type of locality	Eurostat
Percentages of households covered by DSL, cable and FTTx	Broadband Coverage in Europe, Final Report, 2011 survey, data as of 31 December 2010. Available at: https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/broadband_coverage_2010.pdf
Price differences between the different types of locality	Based on scenarios developed according to the results of the website evaluation exercise
Number of households which have access to the offers of more than one provider, by type of locality	Consumer survey data
Number of households by product combination	Consumer survey data
Market share of incumbent relative to market share of all new entrants	Digital Agenda Scoreboard database

The methodology for the economic analysis of potential welfare gains is structured according to the following steps:

1. Identifying offers available for each product combination;
2. Identifying the cheapest tariffs;
3. Estimating potential savings according to the status of households' current ISP;
4. Factoring in differences in potential savings according to type of locality;
5. Estimating the number of households that can switch;
6. Calculating potential domestic savings for each product combination;
7. Aggregating potential savings for all countries.

Each step is explained in detail in the following sub-sections.

First step: Identifying offers available for each product combination

We have grouped the tariffs in the BIAC database according to their product characteristics, that is, by package type and advertised connection speed range. The combination of four main product combinations and five main speed ranges results in the consideration of 20 products, plus the category 'other', which includes all offers that contain mobile telephony and/or mobile Internet. The products are listed in the table below.

Table 45. Relevant product combinations for the assessment of potential savings from switching provider

Source: Civic Consulting.

Product combination	Range of advertised speed
Standalone Internet access	No more than 2 Mbps
Standalone Internet access	More than 2 Mbps to 8 Mbps
Standalone Internet access	More than 8 Mbps to 12 Mbps
Standalone Internet access	More than 12 Mbps to 30 Mbps
Standalone Internet access	Faster than 30 Mbps
Internet access and fixed telephony	No more than 2 Mbps
Internet access and fixed telephony	More than 2 Mbps to 8 Mbps
Internet access and fixed telephony	More than 8 Mbps to 12 Mbps
Internet access and fixed telephony	More than 12 Mbps to 30 Mbps
Internet access and fixed telephony	Faster than 30 Mbps
Internet access and television	No more than 2 Mbps
Internet access and television	More than 2 Mbps to 8 Mbps
Internet access and television	More than 8 Mbps to 12 Mbps
Internet access and television	More than 12 Mbps to 30 Mbps
Internet access and television	Faster than 30 Mbps
Internet access, fixed telephony and television	No more than 2 Mbps
Internet access, fixed telephony and television	More than 2 Mbps to 8 Mbps
Internet access, fixed telephony and television	More than 8 Mbps to 12 Mbps
Internet access, fixed telephony and television	More than 12 Mbps to 30 Mbps
Internet access, fixed telephony and television	Faster than 30 Mbps
Other	

The results of the consumer survey indicate that 80% of respondents across the 29 countries subscribe to one of the 20 products listed above (excluding 'other').

Second step: Identifying the cheapest tariffs

The BIAC database sometimes includes more than one offer from a single ISP for one product combination, e.g. two unique tariffs may exist for an Internet access and fixed telephony (2-8 Mbps) product based on differences in the telephony service parameters. In these cases, we consider the cheapest tariff.⁸⁵

Based on the BIAC database's specification of whether a tariff is offered by the incumbent or a new entrant we have identified, for each product combination, the incumbent's cheapest tariff and the cheapest tariff offered by each new entrant.

Third step: Estimating potential savings according to households' current ISP

As households may have a contract with either the incumbent or a new entrant, we have estimated, for each of the 20 product combinations, the potential savings from switching that could be achieved by households depending on this distinction.

The following approach differentiates between the potential savings of those households currently served by an incumbent ISP and those served by a new entrant:

- ▶ *Household with incumbent:* potential savings equal the price difference between the incumbent's cheapest tariff and the single cheapest tariff among all offers from the new entrants;
- ▶ *Household with a new entrant:* potential savings equal the price difference between the average of the cheapest tariffs offered by each of the new entrants and the single cheapest tariff among all offers.⁸⁶

Fourth step: Factoring in differences in potential savings according to locality type

The BIAC database does not provide information on which tariffs are actually used by consumers or on which tariffs are available in (1) metropolitan zones, (2) large towns/urban centres, and (3) rural zones or villages. To address this issue we use scenarios that are based on our evaluation of comparison websites. During this exercise mystery shoppers collected price data for six specified locations in each country, of which two were located in metropolitan zones, two in large towns/urban areas, and two in rural zones or villages.

The results of this exercise show that consumers' potential savings from switching provider may in some cases differ significantly depending on the type of locality in which their household is located. However, in other situations this is not the case. We

⁸⁵ For our analysis, we have used the total costs per month (VAT included) with telephone line rental or cable TV subscription as provided by the BIAC database. Offers presented in the BIAC database have been normalised to ensure sufficient uniformity in technical terms (see Annex 1 for more details).

⁸⁶ Data on the market shares of each new entrant in each domestic market for each product combination is not available. Therefore the average of the cheapest tariffs offered by each of the new entrants has been used for this calculation.

therefore take into consideration the fact that the potential savings calculated above (under step 3) may differ by locality type.

We assume that households in *metropolitan zones* that are covered by the Internet access technology of the cheapest tariff and have access to offers of more than one provider (see step 5 below) can achieve the potential savings calculated above. Then we employ two scenarios for the calculation of potential savings in *large towns/urban areas* and *rural zones or villages*:

- ▶ *Scenario 1: No differences in savings between localities.* Reflecting those observations from the comparison website evaluation that do not indicate any differences in savings between different types of locality, we assume that the potential household savings from switching in a large town/urban centre or in a rural zone or village are equivalent to those that could be achieved in the metropolitan zone of the same country, to the extent that these households can actually switch (see step 5);
- ▶ *Scenario 2: Savings depend on type of locality.* Reflecting those observations from the comparison website evaluation that do indicate differences in savings between locality types, as well as the generally reduced choice of Internet offers in less densely populated areas, we assume that a household located in a large town/urban centre or in a rural zone/village would, if it can switch, only be able to obtain a share of the achievable metropolitan zone savings. For example, if the relevant observations from the comparison website evaluation indicate that a large town/urban centre household can only obtain 90% of the metropolitan zone savings, we apply this factor to the potential savings calculated in step 3 above.

Fifth step: Estimating the number of households that can switch

Households may not be able to switch due to technological restrictions or because they have access to only one provider. We therefore consider both factors in estimating the number able to switch their ISP by type of locality in each domestic market.

The numerical base for households that can switch is the total number of households that already have broadband access. This figure is derived from country-level Eurostat data on the percentage of households with broadband Internet access (by location type) and the average number of persons per household.

To take technological restrictions into account, we identify the technology of the cheapest tariff offered for a specific product combination. Then we use data from the

Broadband Coverage in Europe report⁸⁷ that identifies the percentages of households covered by this technology (DSL, cable or FTTx).

However, not all households which already have broadband access and are covered by the technology in question would be able to switch due to lack of provider availability. So, to the previous households figure, we apply the percentage of consumer survey respondents (in the relevant country) that indicated having access to the offers of more than one provider. For example, if 90% of survey respondents in a domestic market indicated having access to more than one provider, this step would reduce the number of households that can switch by 10%.

Following application of the technological and provider availability restrictions, we can estimate the number of households able to switch to the particular offer according to the status of their provider (incumbent or new entrant). This calculation is based on the market shares data provided by the Digital Agenda Scoreboard Database for the Member States of the EU.⁸⁸

To conclude step 5, we determine the number of households which currently have the product combination in question (e.g. Internet access only and advertised speed range of 12 Mbps to 30 Mbps) and would actually be able to switch, both for consumers with the incumbent and consumers who are currently subscribed to a new entrant. In this calculation we took into account the market share for each product as reflected in the results of the consumer survey, in which we had asked respondents about the type of bundle they currently use, according to the categories provided in the BIAC database.

Sixth step: Calculating potential domestic savings for each of the product combinations

Next, we calculate potential domestic savings for each of the 20 product combinations in each country, based on the previous steps.

Seventh step: Aggregating savings for all product combinations in all countries

Finally, we calculate the aggregated potential savings for each domestic market. This implies calculations for all product combinations (20 variations) for both households that switch from an incumbent and from a new entrant to the cheapest offer (2 variations) and for each type of locality (3 variations), i.e. we replicate the described approach for 120 different cases for each domestic market, while also considering

⁸⁷ IDATE Consulting and Research (2011). Broadband Coverage in Europe, Final Report, 2011 survey, data as of 31 December 2010.

⁸⁸ Publications of the Icelandic and Norwegian national regulatory authorities are also utilised. See The Post and Telecom Administration of Iceland (2011). Statistics on the Icelandic electronic communications market for the first half of 2011; and The Norwegian Post and Telecommunications Agency (2011). The Norwegian Electronic Communications Services Market 1st half 2011.

two scenarios in the 80 cases that refer to potential savings in large towns/urban centres and rural zones or villages.

We then extrapolate these results to the product combination 'other' by estimating a saving that is equivalent to the average of the saving across the 20 product combinations scrutinised in detail.⁸⁹

Finally, we calculate the overall potential savings achievable by switching fixed-line broadband providers for the 29 domestic markets covered by summing the estimated savings achievable in each domestic market.

A detailed description of the methodology applied and the data used is provided in Annex 1.

6.5.2 Potential savings from switching

As described in the methodological section above, our assessment of potential savings achievable from switching utilises two scenarios. Under scenario 1 we assume that the savings achievable are constant for consumers located in all locality types. Conversely, under scenario 2 we assume – based on the website evaluation price collection data from price comparison websites – lower potential savings in large towns/urban centres and rural areas or villages relative to metropolitan areas. Therefore, scenario 2 serves as the low point of the potential savings range.

As shown in Table 46 below, the estimated average savings per household across the EU27 Member States are between 8.8 Euro per month (scenario 2) and 10.3 Euro per month (scenario 1).⁹⁰ This equates to a savings range of between 105.3 Euro per year and 123.2 Euro per year for individual households.

Turning to the aggregate numbers, we estimate – based on the number of households that can switch in each country – total potential savings of between 7,345.9 million Euro and 8,690.3 million Euro for the 29 countries. At the EU27 level, the potential savings from switching are only slightly lower: between 7,289.5 and 8,606.7 million Euro.

Notably, a substantial share of the overall potential savings is available in Germany and the UK, where households could realise annual savings of 119.0 Euro (Germany) and 137.7 Euro (UK) under scenario 1, and 102.0 and 119.9 Euro under scenario 2. These per-household figures for Germany and the UK are equalled or exceeded by those from several other countries, including: Austria, Cyprus, Denmark, Italy,

⁸⁹ The number of households that have subscribed to an 'other' bundle was estimated on basis of the results of the consumer survey.

⁹⁰ Compared with the per month savings reported by respondents to the consumer survey who saved money by switching (14.7 Euro per month), these figures are noticeably lower. As discussed in the methodological section above, and fully detailed in Annex 1, we have consistently used conservative estimates in our economic analysis. As one example, the price database we use effectively lists 'new subscriber' prices. In reality, however, consumers who have not switched for a number of years may be paying an older, higher ('legacy') price, and so can realise larger savings than if they were paying the current price for the same product.

Luxembourg, Poland, Slovakia, and Sweden.⁹¹ However, the populations and market sizes in Germany and the UK mean that the aggregate potential savings across all households in those countries are substantial. Total potential savings in Germany range from slightly fewer than 1,800 million Euro to just over 2,000 million Euro, while in the UK potential savings are estimated as falling between 1,600 million Euro and nearly 1,900 million Euro. Other countries where total potential yearly savings are near or above the 500 million Euro line include: Spain, France, Italy, and the Netherlands.⁹²

⁹¹ Although the results of the assessment indicate that significant savings may be achieved by switching provider in Sweden (see Table 46), it proved highly difficult for the organisation that implemented the switching exercise in Sweden to recruit participants who were willing to actually switch their provider (see Footnote 56 above and Section 3, Part 2 of this report for more details). Also, one might expect switching costs to be relatively high in Sweden, but as calculated for this study they are slightly below the EU average (see Table 47).

⁹² It is important to note that in Finland there are four telecom incumbents which provide broadband Internet service (please see the BIAC database, 2011). One of these is actually a group comprising 27 locally operating companies. Notably, the incumbent companies in Finland can also operate as new entrants outside of their own geographic operating areas. Our assessment of the savings achievable in this country assumes that households can switch to any of the other ISPs listed in the BIAC database. However, as this may not always be possible (depending on one's geographic location), our assessment is likely to overestimate the savings achievable by switching ISP in Finland.

Table 46. Savings achievable by switching provider

Source: Civic Consulting.
Note: (a) This calculation is based on the number of households which can actually switch provider.

Country	Total potential savings per year (in Euro)		Savings per households (which can switch) per year (in Euro)	
	SCENARIO 2 Savings depend on type of locality	SCENARIO 1 No differences in savings between localities	SCENARIO 2 Savings depend on type of locality	SCENARIO 1 No differences in savings between localities
BE	118,678,528	140,382,767	63.4	75.0
BG	24,969,380	28,424,783	46.2	52.6
CZ	92,263,964	128,279,181	100.8	140.2
DK	141,982,292	186,864,912	119.0	156.6
DE	1,787,945,506	2,085,938,849	102.0	119.0
EE	11,312,788	12,281,007	75.4	81.9
IE	24,046,352	31,087,235	100.2	129.5
EL	70,910,751	85,912,504	72.8	88.2
ES	472,913,922	573,479,458	89.8	108.9
FR	542,622,025	634,648,577	74.5	87.2
IT	724,576,658	879,420,642	140.0	169.9
CY	8,681,732	9,475,608	208.6	227.7
LV	9,626,963	10,258,520	70.5	75.1
LT	15,923,450	16,787,324	102.0	107.6
LU	16,317,683	21,738,913	181.3	241.5
HU	134,905,546	174,995,404	102.2	132.6
MT	2,874,069	3,095,909	77.6	83.6
NL	534,160,696	604,988,273	110.1	124.7
AT	158,518,515	210,514,081	115.8	153.8
PL	389,936,579	426,017,312	168.8	184.4
PT	70,652,333	86,246,228	61.7	75.4
RO	34,777,727	39,079,349	39.5	44.4
SI	23,817,254	31,807,171	106.3	142.0
SK	53,309,196	62,718,425	151.4	178.1
FI	42,417,440	47,517,942	81.4	91.2
SE	168,486,290	222,162,599	140.1	184.8
UK	1,612,848,479	1,852,595,638	119.9	137.7
EU27	7,289,476,117	8,606,718,610	105.3	123.2
NO	55,762,454	82,719,579	95.1	141.1
IS	708,605	831,081	25.2	29.5
Total: 29 countries	7,345,947,177	8,690,269,270	105.2	124.4

Having presented the potential savings from switching, we now turn to another calculation we have undertaken which assesses personal time costs associated with the switching process.

6.5.3 Switching costs

Methodology

We have calculated the financial cost of time spent on switching using consumer survey data on personal time spent on the switching process and, from Eurostat, wage and working hours data. The latter allowed us to calculate an EU average, as well as country-specific values, for work time forgone (12.8 Euro per hour at EU level) and leisure time foregone (3.8 Euro per hour at EU level).⁹³

For the switching costs calculation, the values of work time and leisure time are separately applied to the per-country and EU figures reported by survey respondents for 'Average personal time spent on switching (in hours)'. Similar to the economic analysis of potential savings detailed above, this methodology yields a range of estimated switching costs, with the low point linked to the value of leisure time and the high point associated with the value of work time. The two extreme points of the range assume that either 100% work time or 100% leisure time is put into the switching process.

Calculated switching costs

Taking the 27 and 29 country average (both 2.5 hours) of personal time spent on switching, we can identify the average time cost for each switching individual as 31.9 Euro, assuming the switching efforts were made during work time, and 9.6 Euro if they were made during leisure time.

Turning to the by-country results, there is considerable variation around the average based on the country-specific values for work and leisure time, as well as the differences in the numbers of personal time hours required by the switching process.

The calculated switching costs range from between 17.4 and 57.8 Euro in Luxembourg to between 0.8 and 2.7 Euro in Bulgaria. Other countries with relatively high switching costs include Belgium (11.0 to 36.5 Euro), Denmark (11.1 to 37.1 Euro), Germany (12.0 to 39.8 Euro), Ireland (13.8 to 45.9 Euro), the Netherlands (10.9 to 36.3 Euro), and the UK (14.3 to 47.6 Euro).

⁹³ Leisure time was valued at 30% of the working wage. For background on the derivation of this percentage, please see Belli, et al. (2001), *Economic Analysis of Investment Operations: Analytical Tools and Practical Applications*, World Bank Institute Development Studies, pp. 127-128.

Table 47. Switching costs

Source: Civic Consulting.

Country	Average personal time spent on switching (in hours)	Value of working time (in Euro per hour)	Value of leisure time (in Euro per hour)	Switching costs per household based on working time value	Switching costs per household based on the value of leisure time
BE	2.2	16.6	5.0	36.5	11.0
BG	2.4	1.1	0.3	2.7	0.8
CZ	2.8	4.1	1.2	11.4	3.4
DK	1.9	19.5	5.9	37.1	11.1
DE	2.5	15.9	4.8	39.8	12.0
EE	2.3	3.7	1.1	8.5	2.5
IE	2.3	20.0	6.0	45.9	13.8
EL	2.2	9.1	2.7	19.9	6.0
ES	2.4	9.7	2.9	23.2	7.0
FR	2.4	14.5	4.3	34.7	10.4
IT	2.8	12.3	3.7	34.3	10.3
CY	1.5	10.5	3.1	15.7	4.7
LV	2.8	2.7	0.8	7.6	2.3
LT	2.6	2.8	0.8	7.3	2.2
LU	2.9	19.9	6.0	57.8	17.4
HU	2.9	3.7	1.1	10.7	3.2
MT	2.6	7.4	2.2	19.3	5.8
NL	2.4	15.1	4.5	36.3	10.9
AT	2.2	12.8	3.8	28.1	8.4
PL	2.7	3.8	1.1	10.2	3.1
PT	3.1	6.7	2.0	20.8	6.2
RO	3.0	1.9	0.6	5.8	1.8
SI	2.8	6.8	2.0	19.0	5.7
SK	2.8	3.1	0.9	8.6	2.6
FI	1.9	15.3	4.6	29.1	8.7
SE	1.8	16.8	5.0	30.2	9.0
UK	2.6	18.3	5.5	47.6	14.3
EU 27	2.5	12.8	3.8	31.9	9.6
IS	3.3	17.4	5.2	57.3	17.2
NO	2.1	24.1	7.2	50.6	15.2
Total: 29 countries	2.5	12.8	3.8	31.9	9.6

6.5.4 Comparison of potential savings and switching costs

Comparing our estimated yearly potential savings for households located in the EU27 Member States with the associated average figures for individual switching costs (see

table below), suggests that European consumers may be able to realise significant financial gain by switching, especially if their considered time period extends beyond the initial one-year period to take into account recurring annual savings.

Table 48. Assessed savings and costs per household (totals for EU27 countries)

Source: Civic Consulting.

	Annual savings per household (Euro per year)	Switching costs per household (in Euro)
Top of range (scenario 1 savings; costs based on value of work time)	123.2	31.9
Bottom of range (scenario 2 reduced savings; costs based on value of leisure time)	105.3	9.6

It is important to report, though, that some potential financial costs linked to switching are absent from the tables presented above. Termination fees and other potential costs associated with contract cancellation are the most notable items.⁹⁴ Though we would tend to assume that a large share of consumers would switch when 'eligible' (i.e. upon contract expiry when no longer confronted with cancellation fees), some will certainly switch mid-contract. Thus, while our results estimate first year net savings at between 73.4 Euro and 113.6 Euro per household,⁹⁵ it is necessary to remember that termination fees can fall in the 40 Euro to 100 Euro range (as reported by national regulatory authorities in Section 6.1). These fees may in fact run even noticeably higher in those countries where providers are permitted to charge their early-cancelling customers the full remaining contract balance, i.e. the monthly rate multiplied by the number of outstanding months.

In sum, the assessment of whether switching makes financial sense is a complex one when viewed from the individual household's perspective. Consumers not only need to weigh potential savings and personal time costs involved in switching, they also need to take into account service interruptions, if applicable, and all other fees, such as termination charges. Our analysis confirms that termination charges can significantly alter the financial incentives related to switching provider, especially if consumers only make a first-year cost-benefit analysis.

⁹⁴ Switching also sometimes requires the purchase of technical equipment (e.g. a modem or router); though in other cases such equipment may be provided free of charge or heavily subsidised by the Internet service provider. Similarly, switching between providers whose relevant offers are based on the same type of technology (e.g. DSL), may sometimes negate the need to purchase equipment. Notably, the cost of equipment, where applicable, is factored into the monthly prices presented in the database from which the calculation of potential savings draws its price data. Thus, this potential cost is incorporated in the analysis presented here.

⁹⁵ This range is calculated by subtracting the maximum estimated switching cost per household (based on the value of working time) from the scenario 2 (reduced) savings per household, and then subtracting the minimum estimated switching cost per household (based on the value of leisure time) from the scenario 1 savings.

6.6 FACILITATORS TO SWITCHING PROVIDER

Given that in many cases consumers may gain financially by switching provider and are likely to be interested in keeping personal time costs associated with the process to a minimum, it is interesting to explore practices that could facilitate switching. Along these lines, consumer survey respondents were asked which of a range of options they would find helpful to switch their Internet service provider. The results of this question are presented below.

The key findings are that:

1. The facilitators to switching most frequently indicated by consumer survey respondents are: standardised comparable offers from providers; shorter contract duration; independent tests of service quality; and feedback from other users;
2. More than 20% of respondents identified advice and comparison websites operated or accredited by independent bodies as facilitators;
3. Four of the top six facilitators of switching identified by survey respondents are external, independent information sources; respondents may not believe that they have enough expertise themselves to decide between broadband offerings;
4. Though comparison websites may help facilitate switching, their availability across the EU is not consistent (being concentrated in the EU15 Member States), and the exercise that evaluated these websites found that many provide only moderate functionality (see Section 5.3).

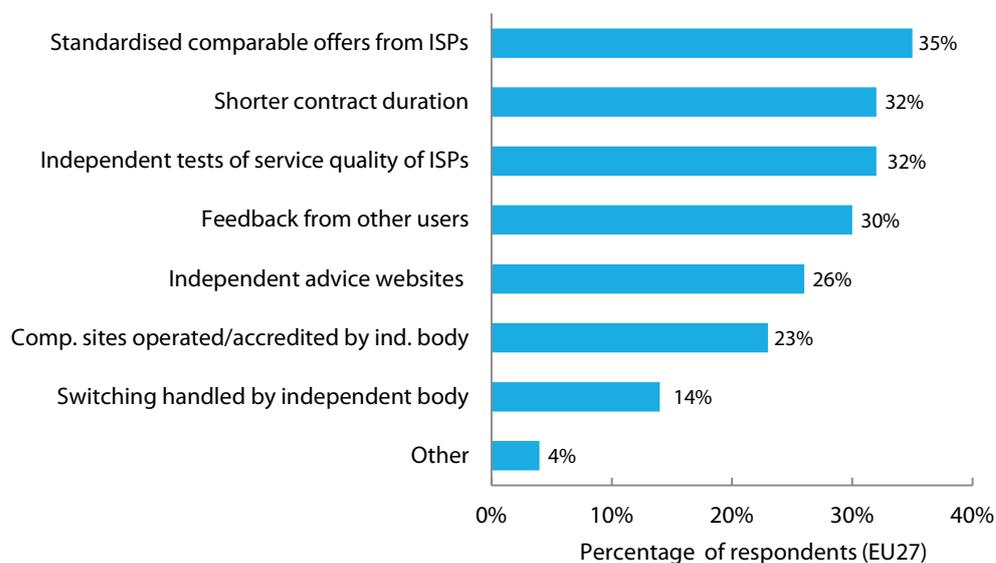
As is visible in the following figure, the option concerning potential facilitators to switching most frequently chosen by respondents was standardised comparable offers from providers (35%). This reflects the difficulty that some respondents have in comparing offers. Standardised presentation of information (such as contract duration, termination fees, and the all-inclusive cost averaged over 12 or 24 months) would still allow for diverse product offerings, but could eventually lead to convergence in suppliers' actual offers, which could reduce incentives to switch.

Three other options were each indicated by around a third of respondents: independent tests of service quality (32%), shorter contract duration (32%), and feedback from other users (30%).

There was also some support from respondents for other options involving independent organisations. Around a quarter (26%) would like to see independent advice websites providing guidance on best offers, while 23% would find it helpful if comparison websites were operated or accredited by an independent body. There was less support (from 14%) for the switching process itself to be handled by an independent body or an agent.

Figure 70. Facilitators to switching provider

Source: Consumer survey, Q23.
(N=27668)



The next figure shows the breakdown by country for facilitators to switching. Having standardised comparable offers from providers is the most popular option in many countries, and the proportion choosing this is highest in Romania, Luxembourg, Bulgaria, and Estonia. A high proportion of respondents in Estonia also want to see independent tests of service quality, along with those in Slovenia, Hungary, and Portugal.

Shorter contract durations and feedback from other users are both chosen by a higher proportion of respondents in some EU12 Member States than in EU15 Member States. Specifically, the proportions choosing these options are highest in Slovakia and Bulgaria (in relation to shorter contract durations), and in the Czech Republic and Latvia (in relation to feedback from users).

Respondents in Slovenia and Iceland are more likely than those in other countries to want independent advice websites with guidance on best offers. Those in Iceland are also more likely to want comparison websites operated or accredited by an independent body, along with respondents in Luxembourg and Denmark.

Table 49. Facilitators to switching, analysis by country

Country	Standardised comparable offers from providers	Independent tests ^(a) of service quality of Internet providers	Shorter contract duration	Feedback from other users	Independent advice websites providing guidance on best offers	Comparison websites operated/ accredited by independent body ^(b)	Switching process handled by independent body/agent	Other
EU27	35%	32%	32%	30%	26%	23%	14%	4%
BE	43%	36%	31%	19%	31%	29%	17%	3%
BG	47%	30%	50%	40%	31%	17%	10%	1%
CZ	26%	42%	28%	58%	32%	29%	9%	4%
DK	40%	37%	20%	27%	34%	36%	12%	4%
DE	27%	32%	34%	23%	20%	21%	13%	5%
EE	47%	45%	19%	49%	37%	13%	16%	3%
IE	36%	32%	34%	45%	33%	28%	15%	2%
EL	34%	32%	33%	43%	25%	25%	12%	1%
ES	39%	28%	31%	27%	24%	20%	17%	3%
FR	39%	34%	29%	22%	29%	26%	13%	3%
IT	31%	26%	20%	31%	20%	21%	17%	5%
CY	28%	19%	13%	35%	26%	15%	8%	6%
LV	45%	29%	30%	52%	25%	12%	8%	5%
LT	41%	30%	48%	30%	38%	19%	12%	6%
LU	47%	38%	22%	32%	32%	38%	13%	2%
HU	46%	44%	38%	40%	34%	18%	7%	2%
MT	19%	13%	22%	32%	25%	17%	7%	5%
NL	32%	39%	26%	25%	32%	24%	17%	5%

Country	Standardised comparable offers from providers	Independent tests ^(a) of service quality of Internet providers	Shorter contract duration	Feedback from other users	Independent advice websites providing guidance on best offers	Comparison websites operated/ accredited by independent body ^(b)	Switching process handled by independent body/agent	Other
AT	38%	37%	32%	31%	23%	28%	17%	5%
PL	30%	33%	47%	30%	29%	24%	11%	2%
PT	43%	43%	38%	31%	28%	21%	13%	5%
RO	48%	29%	39%	42%	26%	20%	13%	2%
SI	35%	45%	28%	41%	41%	25%	16%	3%
SK	30%	33%	51%	31%	31%	22%	17%	2%
FI	38%	37%	32%	33%	36%	26%	14%	5%
SE	38%	34%	47%	25%	27%	26%	16%	4%
UK	34%	32%	30%	36%	31%	26%	17%	4%
IS	32%	34%	5%	27%	41%	43%	12%	3%
NO	39%	42%	25%	37%	25%	29%	15%	4%

Source: Consumer survey, Q23. Note: (a) e.g. by consumer organisations, (b) e.g. government authority or national regulator. (N=27668 for EU27 / 29243 for all countries)

Broadband access is an 'experience good', that is a product or service where the buyer cannot discern the true quality until after purchase.⁹⁶ With these types of goods, consumers often look to respected sources of information such as other users they know personally and independent reviewers. It is therefore unsurprising that four of the top six facilitators of switching identified by survey respondents are external, independent information sources. Respondents may not have believed they had enough personal expertise to decide between broadband offers and felt the need to consult information from acquaintances and independent sources.

Possible sources of such information are comparison websites targeted at the market for Internet access and provision. As the consumer survey results presented above show, 23% of respondents indicated they would find independently run comparison websites a facilitator to switching (and this figure is above 35% for Denmark, Luxembourg, and Iceland). While this suggests these websites may help facilitate switching, their availability across the EU is not consistent. Such sites are disproportionately available for EU15 Member State markets (as shown in Section 5.2). The participants in the switching exercise confirmed this uneven distribution.⁹⁷

Additionally, the evaluation of comparison websites found that many provide only moderate functionality (for details, see Section 5.3). For example, only about half of the evaluated CWs (52%) were regarded as either very or fairly user friendly by mystery shoppers. Moreover, less than half of the CWs (41%) were found to be useful in allowing an informed choice (see Figure 47, Section 5.3).

However, as shown previously in Figure 48, when these findings on overall usability and helpfulness of comparison websites are split between regulator-run or accredited sites and non-regulator sites, the former receive substantially more positive ratings. Thus, regulator-run or accredited websites may be an effective means of disseminating information about available product offerings, and may therefore be considered – at least potentially – important facilitators of switching.⁹⁸

⁹⁶ Church, J., and Ware, R. 2000. *Industrial Organisation: A Strategic Approach*, McGraw Hill, p. 190.

⁹⁷ In Poland, for example, the majority of the participants in the switching exercise (8 of 10) did not know of any relevant comparison websites. Only two participants used such websites and they agreed that these were useful for gathering information on specific offers and finding the best offer available in their area. By contrast, most of the participants in Germany, Spain, and the UK used comparison websites, with those in the UK expressing particular familiarity with them.

⁹⁸ In addition to the utilisation of comparison websites to help ease the switching process, Ofcom and BEREC have made several relevant proposals which are detailed in Section 6.2 and Section 10.2.

7 UNFAIR COMMERCIAL PRACTICES AND CONTRACT TERMS

In this part, reported commercial practices of broadband Internet service providers (ISPs) are analysed against the background of two European Directives on consumer protection: the 1993 Unfair Contract Terms Directive and the 2005 Unfair Commercial Practices Directive. This concerns practices such as tying consumers into prolonged contracts, slamming (switching consumers to a different provider without their consent), advertising in ways that hinder consumers' ability to compare offers, and other potentially detrimental practices. Furthermore, alleged unfair general contract terms are identified and their legality assessed.

The key findings of this section are that:

1. The commercial practices most commonly reported as potentially unfair by consulted stakeholders include: differences between advertised and actual quality of service;⁹⁹ price intransparency; switching obstacles (e.g. providing incorrect information on withdrawal terms, not allowing withdrawal contrary to contractual provisions, or making it difficult to obtain necessary information); and other practices, including harassment or alternative aggressive practices;
2. The contract terms most commonly reported as potentially unfair by consulted stakeholders include: terms limiting or excluding providers' responsibility; roll-over contracts; fixed-term contracts and termination fees; the one-sided power of the ISP to change contract terms; and other practices such as the use of illegibly small font in general terms;¹⁰⁰
3. The legal analysis confirms that several practices frequently reported through the stakeholder survey and switching exercise may indeed constitute unfair commercial practices or contract terms, depending on the specific circumstances associated with individual cases.

In this section of the report, business-to-consumer (B2C) contracts between broadband Internet service providers (ISPs)¹⁰¹ and their customers are analysed against the background of two European Directives¹⁰²: the 2005 Unfair Commercial

⁹⁹ For example, differences between advertised and actual quality of service can relate to the speed of the Internet connection and the availability of customer service (see Section 7.1.3).

¹⁰⁰ Terms written in illegibly small font would also qualify as a misleading omission under the UCPD: according to Art. 7(2) of the Directive it is also misleading to provide information in an unclear, unintelligible, or ambiguous manner.

¹⁰¹ Where the word ISP is used, we refer to broadband ISPs. Occasionally, reference is made to mobile ISPs.

¹⁰² Occasional reference is made to Articles 20-22, Directive 2002/22/EC (Universal Service Directive; as amended by Directive 2009/136/EC) which lay down several rules on the content of telecommunication contracts.

Practices Directive¹⁰³ (hereafter: UCP Directive) and the 1993 Unfair Contract Terms Directive.¹⁰⁴ We first introduce the 2005 UCP Directive and examine reported commercial practices under its framework before discussing the 1993 Unfair Contract Terms Directive and analysing reported contractual terms.

7.1 POTENTIALLY UNFAIR COMMERCIAL PRACTICES

This sub-section presents and analyses practices noted as problematic or potentially unfair in the stakeholder survey, as well as the website evaluation exercise that analysed up to 10 Internet service providers' websites in all 27 EU Member States, plus Norway and Iceland. First the UCP Directive is introduced, then cited practices are presented and an assessment of their legality is carried out.

7.1.1 Unfair Commercial Practices Directive

The 2005 UCP Directive is a maximum harmonisation Directive¹⁰⁵ which prohibits unfair commercial practices. The UCP Directive prohibits both misleading and aggressive practices. The concept of unfair commercial practices is wide-ranging. In the area of Internet service provision it may include, among others, practices such as:

- ▶ Advertisements that contain misleading information or omit essential information;
- ▶ Disproportionate non-contractual barriers to switching provider;
- ▶ Bait advertising (i.e. a trader offering a specified price when they may have grounds for believing they will not be able to provide the service at that price in reasonable quantities and for reasonable periods);
- ▶ The false display of codes of conduct or trust marks without having obtained the necessary authorisation;
- ▶ The presentation of legal rights given to consumers as distinctive features of a provider's offer;

When assessing the unfairness of certain commercial practices, one of the applicable caveats is that the UCP Directive works with the normative concept of an 'average

¹⁰³ Directive 2005/29/EC of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council.

¹⁰⁴ Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts. The Consumer Rights Directive (2011/83/EU) slightly amends the 1993 Directive but with no direct bearing on the issues considered here.

¹⁰⁵ Maximum harmonisation basically means that national laws cannot exceed the relevant Directive's terms.

consumer'.¹⁰⁶ The average consumer is not a statistical notion but a "reasonably well informed and reasonably observant and circumspect" person.¹⁰⁷

The UCP Directive has a 'black list' (Annex I) of practices considered unfair in all circumstances.¹⁰⁸ Member States are not allowed to supplement this list.¹⁰⁹ This entails, for instance, that bundling of several products as such cannot be categorically forbidden by the national legislature. Bundling is allowed as long as the total price is transparent.¹¹⁰

The UCP Directive lists particular items of information that need to be disclosed when a trader makes an 'invitation to purchase'. Most offers from ISPs will at some stage be considered such an invitation to the consumer.¹¹¹ The invitation to purchase shall include various items of information such as:

- ▶ The main characteristics of the product, to an extent appropriate to the medium and the product (Art. 7(4) (a) UCPD);
- ▶ The price inclusive of taxes, or where the nature of the product means that the price cannot reasonably be calculated in advance, the manner in which the price is calculated, as well as, where appropriate, all additional freight, delivery or postal charges or, where these charges cannot reasonably be calculated in advance, the fact that such additional charges may be payable (Art. 7(4) (c) UCPD);
- ▶ The arrangements for payment, delivery, performance and the complaint handling policy, if they depart from the requirements of professional diligence (Art. 7(4) (d) UCPD);
- ▶ For products and transactions involving a right of withdrawal or cancellation, the existence of such a right (Art. 7(4) (e) UCPD);

¹⁰⁶ Note, however, that the Directive also purports to protect vulnerable consumers (e.g. elderly and youths) in particular.

¹⁰⁷ This is standing case law. See, e.g. ECJ 16 July 1998, C-210/96 (Gut Springenheide); ECJ 19 September 2006, C-356/04 (Lidl and Colruyt); cf. ECJ 6 July 1995, C-470/93, Jur. 1995 p. I-01923 (Mars).

¹⁰⁸ For example, the above mentioned practices of bait advertising, the false display of codes of conduct or trust marks without having obtained the necessary authorisation, and the presentation of legal rights given to consumers as distinctive features of a provider's offer are black listed practices.

¹⁰⁹ ECJ April 23, 2009, cases C-261/07 and C-299/07 (VTB-VAB NV v. Total Belgium NV / Galatea BVBA v. Sanoma Magazines Belgium NV): national legislation which prohibits the bundling of products by 'combined offer', without taking account of the specific circumstances is inconsistent with the UCP Directive. Cf. ECJ March, 11, 2010, case C-522/08 (Telekomunikacja Polska SA w Warszawie v. Prezes Urzędu Komunikacji Elektronicznej). Concerning ISP services, some national authorities have issued specific rules at national level which to some extent regulate the content of ISP contracts and the contracting process and may border on the unfair commercial practice field and/or state the obligations under European Directives such as the Universal Services Directive. See, for example, the Ofcom General Conditions of Entitlement.

¹¹⁰ van Boom, W.H. 2011. "Price Intransparency, Consumer Decision Making and European Consumer Law". *Journal of Consumer Policy*, 2011/ 3, pp. 359, 370.

¹¹¹ Article 2(i) juncto art. 7 (4) UCP Directive. On the issue what constitutes an 'invitation', see ECJ 12 May 2011, C-122/10 (Konsumentenombudsmannen/ Ving Sverige AB).

- ▶ Promotional offers, such as discounts, premiums and gifts, where permitted in the Member State where the service provider is established, shall be clearly identifiable as such, and the conditions which are to be met to qualify for them shall be easily accessible and be presented clearly and unambiguously.¹¹²

Against the background of the UCP Directive, the following paragraphs will review those practices and clauses that were frequently referred to by national regulatory authorities (NRAs), alternative dispute resolution (ADR) entities, consumer organisations, members of the Consumer Protection Cooperation Network (CPC Network), and ISPs.

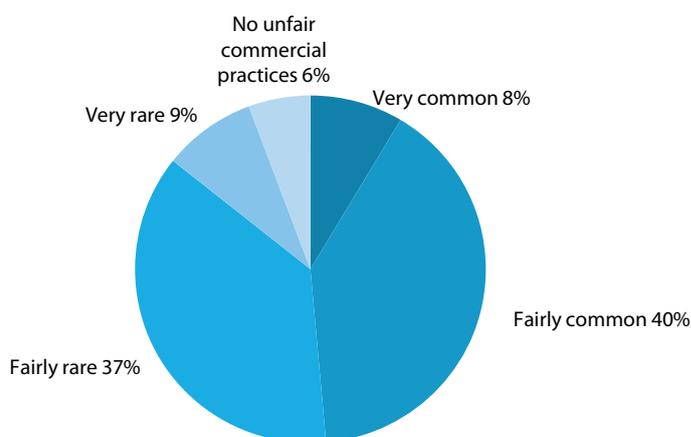
7.1.2 Evidence

Frequently noted practices

Overall, 48% of the national regulatory authorities, consumer organisations, members of the Consumer Protection Cooperation Network, and ADR entities that responded to our stakeholder survey indicated that in their view unfair commercial practices in their country are common (8% very common and 40 % fairly common).

Figure 71. Frequency of unfair commercial practices

Source: Civic Consulting stakeholder survey, Question: Please provide your assessment of the extent to which unfair commercial practices are used by broadband Internet service providers in your country.



The stakeholder survey asked all responding organisations to assess the relative intensity of several complaint types related to the provision of broadband Internet services and associated commercial practices. Overall, the stakeholders ranked the complaints related to unfair commercial practices and transparency of offers in the following order:

- ▶ Advertised speed faster than normal actual speed;

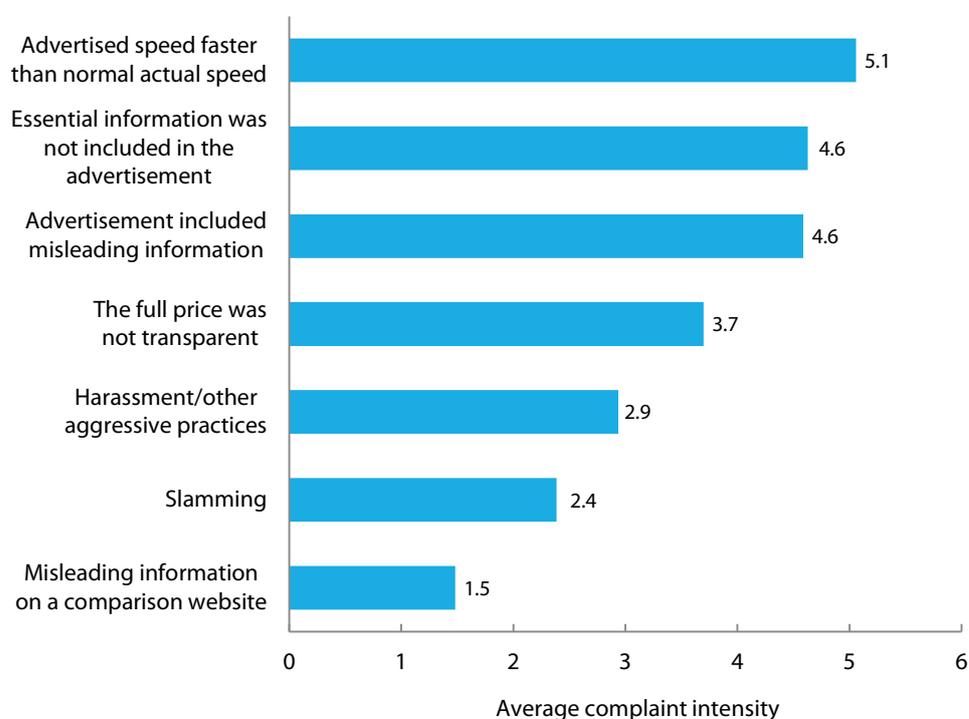
¹¹² See art. 6 E-commerce Directive 2000/31/EC juncto art. 7 (5) UCP Directive.

- ▶ Omission of essential information from the advertisement;
- ▶ Misleading information in advertisement;
- ▶ Full price intransparent;
- ▶ Harassment/ other aggressive practices;
- ▶ Slamming (i.e. switching consumers to a different provider without their consent);¹¹³
- ▶ Misleading information on a comparison website.

The ranking of these practices by average complaint intensity (as reported by organisations in the stakeholder survey) is provided in the following figure:

Figure 72. Unfair commercial practices and transparency of offers - Average complaints intensity

Source: Civic Consulting survey of stakeholders. Note: 'complaints intensity' derived from stakeholder assessment: a '10' indicates very frequent receipt of consumer complaints, while a '0' indicates no complaints. Provided is the average of all responses.



Most interviewed stakeholders agreed that the difference in advertised and actual speed may be the biggest problem concerning the clarity of offers. Two such comments are included here:

- ▶ “Some offers say ‘up to’, which is not very clear. There might be a differentiation of the maximum speed, but when it comes to peak hours then your speed is going down, and these things are not made clear” (Consumer organisation);

¹¹³ See discussion below about the extent to which 'slamming' may be considered an unfair commercial practice, Section 7.1.3.

- ▶ “The major problem would be first the difference between advertised and actual speed”.

A separate stakeholder survey question, which allowed for open-ended responses, asked responding organisations to summarise the problems most frequently encountered by consumers with their ISPs.¹¹⁴ The responses to this question re-emphasised many of the practices included in the figure above. Additionally cited practices include providers' use of obstacles to switching, e.g. termination fees and delays in dealing with requests to switch; 'shock billing' (unexpected charges) and unclear bills; and misleading use of the word 'free' in offers. A final stakeholder survey question specifically asked respondents to identify the most common unfair commercial practices they had witnessed.¹¹⁵ Again, approximately the same list of practices emerged from this free response question, with the addition of specific items relating to bait advertisements, difficulty in obtaining Migration Authorisation Codes (MACs) needed for switching, and the presentation of divergent conditions in telephone-based offers and subsequent contracts.

As shown next, the evaluation of ISP websites also produced similar results concerning potentially unfair practices.

Practices identified by mystery shoppers

Provider websites were assessed in all 29 countries and mystery shoppers found that sometimes not all the relevant information was provided, or it was difficult to find. On some ISP websites, the relevant information was not provided on the offer page, but instead on another page of the website, such as the terms and conditions or a price list. On other ISP websites, the information was on the offer page, but in small print that was difficult to locate. In both situations the information provided could be highly detailed and complex. Further problems were caused by information overload, unclear language, or the provision of information which appeared to be contradictory. In sum, these were the relevant findings:¹¹⁶

- ▶ Concerning ISP websites, finding the advertised download speed was not difficult (as suggested by the stakeholder survey responses, the real problem may be that the advertised information is sometimes factually incorrect);
- ▶ Most ISP websites omitted information on blocking or throttling of specific services;

¹¹⁴ Question text: In your view – and based on the complaints data that you have – how would you summarise the main problems encountered by consumers with Internet service providers?

¹¹⁵ Question text: Please list or briefly describe up to the five most common unfair commercial practices used by broadband Internet service providers in your country, if any.

¹¹⁶ For more details, please see Part 3 of the report which presents the results of the evaluation of comparison websites and Internet service provider websites in 29 countries.

- ▶ As concerns price transparency, not all websites were clear on the unit prices per month (in some cases they merely stated the special offer price); others did not include (clear) information on the duration of the contract, on key terms, or on additional costs such as those linked to line rental, installation, delivery, or administrative charges;
- ▶ Sometimes information was hidden in 'dark corners' of the website, in PDF files or in small print.

In sum, across the relevant stakeholder survey questions, stakeholder interviews, and the evaluation of provider websites in 29 countries, we see broad agreement in terms of which practices were most frequently reported as potentially unfair.

7.1.3 Assessment

Relying on the evidence presented above, we can list and then analyse the legality of the most commonly reported unfair commercial practices.

The difference between advertised and real quality of service

This issue of advertised vs. actual speed was prominent in a wide range of stakeholder survey responses, and it was identified by almost all stakeholder organisation types as the most complained about unfair practice of the seven options listed in the relevant survey question. Hence, it seems to be a widespread concern. Some national regulators have indeed conducted further research on broadband speeds. For example, the UK regulator, Ofcom, has found that actual speeds in the UK are significantly slower than advertised speeds.¹¹⁷ Results of the consumer survey conducted for this study suggest many respondents have also experienced this disparity. Specifically, when asked whether they had experienced any of the listed problems, 41% of respondents across the EU indicated that "the speed of [their] Internet connection was slower than it should be" (please see Section 8 on 'Consumer problems and complaints' for more information).

If looked at from the perspective of lack of fit between the advertised quality of service (QoS) and the actual QoS, there may be grounds for including this practice within the scope of the UCP Directive. If the commercial communication contains factually untruthful information, this may amount to a misleading statement through its overall presentation on the characteristics of the product, which is obviously prohibited under the UCP Directive.¹¹⁸ It should be noted, however, that in practice

¹¹⁷ Ofcom. 2011. *UK fixed-line broadband performance May 2011: The performance of fixed-line broadband delivered to UK residential consumers*. In this respect, Ofcom has published a voluntary code of practice concerning broadband speeds (available at: <http://stakeholders.ofcom.org.uk/telecoms/codes-of-practice/broadband-speeds-cop/voluntary-codes-of-practice/>). The objective of this code is to increase the overall standard of information on broadband speeds – and other relevant metrics – that should be made available to consumers to help them make more informed choices in the broadband market. In addition, the European Commission is currently conducting research to compare advertised and actual broadband speeds received by European households.

¹¹⁸ Art. 6 (1) UCP Directive.

general contract terms may authorise ISPs to perform according to a lower QoS than advertised/agreed and may exclude responsibility for differences between the advertised/agreed QoS and the actual QoS. The same would probably apply to throttling. For the validity of such clauses, see Section 7.2 below on unfair contract terms. It seems plausible to argue that ISPs are under a duty to actively inform consumers of this eventuality in their 'invitation to purchase' (art. 7 (4)) (for example, to inform consumers that lower speeds may occur during peak usage hours).

A suspected difference between advertised and real quality of service was also reported regarding customer service from Bulgaria (see the following box).

Customer support that is not available as advertised– an example from Bulgaria

During the focus group with participants in the switching exercise in Bulgaria, participants noted as a potentially unfair commercial practice that Internet providers claim to offer 24h support to consumers but in reality this is only helpdesk support. They reportedly do not have the technical ability to solve the most common types of problems during the night and they do not clearly announce that limitation (this aspect, however, was not tested in detail during the exercise).

Following the UCP Directive the concept of unfair commercial practice extends to cover not only pre-contractual relations, but also commercial practices during and after a commercial transaction in relation to a product (see Article 3 UCP Directive). Consequently, where such support has been promised, systematic non-provision of customer support can be qualified as an unfair commercial practice, notably a misleading commercial practice under Article 6 UCP Directive. In order to evaluate the particular situations mentioned, one has again to take as a benchmark the notional average consumer, from the group targeted or reached by the commercial practice. The consumer group reached by ISP practices does not consist of experts, nor of particularly vulnerable consumers. Therefore the benchmark of the reasonably well-informed and reasonably observant and circumspect consumer should apply. Taking this benchmark, it may be reasonable to assume that the reasonably circumspect consumers of ISP services would expect that the customer support will be in the form of helpdesk support and not e.g. in personal visits to consumer homes. The provision of helpdesk support only would therefore likely not qualify as unfair commercial practice. By contrast, if 24 hours support has been explicitly promised then, it seems reasonable to expect that the service will be of equivalent quality both during the day and the night. If it is indeed confirmed that the customer service is not provided of an equivalent quality during the night, it is then a matter of assessment of the reasonable expectations of the average consumer in the individual case.

Price intransparency

Price intransparency includes such practices as making offers that exclude or obfuscate the full and final price, omitting information on "administrative fees", presenting overly complex information, and misleadingly using the word 'free'. All of these issues were prominent in stakeholder survey responses. The evaluation of provider websites corroborated the existence of some problems of omission and obfuscation of essential information.¹¹⁹

We can safely assume that unfair advertising practices which cloak price are detrimental to the efficiency of ISP markets since they impede meaningful comparison by consumers, raise search costs, and may shift attention to alternative, but less relevant, focal points for competition. It should be noted, however, that it is difficult to clearly distinguish the legal from the illegal forms of price mystification. If advertising is to be considered an 'invitation to purchase', then in principle the full and final price has to be properly disclosed. However, whether advertising as such is an invitation to purchase, depends on the specific case. Limitations of the communication medium have to be taken into account in this respect. For instance, perhaps one cannot expect an Internet advertisement banner to include all price details. Hence, the use of an 'entry-level price' in banners may be legitimate. If, however, the Internet site to which the banner leads the consumer does not state the details indispensable for the exact price calculation, then the ISP is likely to commit an unfair commercial practice by omission. Note that placing essential information on price calculation in 'dark corners' of the website may amount to misleading omission just as much as not presenting the information at all.¹²⁰ If a consumer enters the contracting process – e.g. by filling out an Internet e-sale form – then price information should be unambiguous. Obfuscating the price (e.g. not mentioning the regular monthly fee after the 'rebate period') at that stage would be an unfair commercial practice.¹²¹

Switching obstacles

Barriers to switching were commonly reported as problematic. Frequently reported barriers include the duration of fixed-term contracts, the charging of fees for early termination, and the technical and administrative hurdles standing in the way of a changeover to another ISP.

¹¹⁹ The website evaluation exercise found that on 86% of ISP websites it was easy to locate the standard monthly price of the prominently advertised offer. But on 14% of ISPs there was some difficulty involved, either because the information was unclear (8%), difficult to locate (5%) or not provided (1%). See Figure 16 in Section 4.1.3 for more details.

¹²⁰ See art. 7 (2) UCP Directive.

¹²¹ Moreover, art. 20 Directive 2002/22/EC provides a positive duty to disclose details of prices and tariffs, the means by which up-to-date information on all applicable tariffs and maintenance charges may be obtained, payment methods offered and any differences in costs due to payment method.

In analysing the legality of obstacles to switching, one should distinguish between legally binding obstacles agreed upon in the contract between consumer and ISP and factual obstacles. The former category is best evaluated on the basis of the Unfair Contract Terms Directive (see Section 7.2 below),¹²² while the latter category of factual obstacles is best assessed on the basis of the UCP Directive. Creating factual switching obstacles (e.g. giving incorrect information on withdrawal terms, not allowing withdrawal contrary to contractual provisions, or making it difficult to obtain codes (e.g. MAC) or other information required for switching) may be prohibited under the UCP Directive as either aggressive, misleading or plain unfair.¹²³

Similar potentially unfair commercial practices were identified by switching exercise participants in the UK as well as by organisations that responded to the stakeholder survey. The following text box provides an analysis of some switching obstacles under the national implementation of the Unfair Commercial Practices Directive.

Analysis of switching obstacles under UK implementation of the UCP Directive

In the UK, unfair commercial practices are regulated under the Consumer Protection from Unfair Trading Regulations 2008¹²⁴ (UTR) which implements the UCP Directive (2005/29/EC). While it is not possible to draw general conclusions on the legality of reported detrimental practices, since all practices have to be analysed on a case-by-case basis, characteristics of unfairness are evident. This is illustrated by the example of *difficulty in obtaining MACs*: Some stakeholder survey responses suggest ‘hassle during switching’ which includes difficulty in obtaining Migration Authorisation Code (MAC).¹²⁵ The withholding of MAC code is a practice under Reg 2 which is an action/omission by a trader connected with the supply of a product (namely broadband access) to a consumer occurring after a commercial transaction (the initial contract between the provider and the consumer). It therefore falls within the scope of the UTRs. This practice can fall under a number of Regulations depending on circumstances. It could for example, fall under Reg 5(3) on misleading actions. It can also be construed as misleading action under Reg 5(2) if the provider uses false information or deceiving information regarding the issuing of MAC codes and as a result the average consumer take a different transactional decision. In some extreme cases, the practice could fall under Reg 7 and be considered an aggressive practice if from its factual context it can be established that it significantly impairs (or is likely to do so) the average consumer’s freedom of choice or conduct in relation to the

¹²² Note that factual and technical hurdles impeding the ease of switching (technical obstacles such as modem switches, loss of email address(es) associated with the provider, and lack of portability) may be burdensome and inefficient but as such do not constitute unfair contract terms or unfair commercial practices. Improving competition by lowering such switching costs cannot be achieved within the framework of either Directive.

¹²³ Art. 5, 6 and art. 8-9 UCP Directive.

¹²⁴ SI 2008, No. 1277. (Note: ‘SI’ stands for Statutory Instruments.)

¹²⁵ Based on Ofcom response to Question 21 of the stakeholder survey.

product concerned, through the use of harassment, coercion or undue influence and thereby causes or is likely to cause the consumer to take a transactional decision he/she would not have otherwise taken. Finally, it could also come within the remit of Reg 3 if the provider is acting contrary to professional diligence requirements.¹²⁶

Miscellaneous unfair commercial practices

Several unfair commercial practices were also reported but to a much lesser extent. They include the following practices that are prohibited under the UCPD:

- ▶ Harassment or other aggressive unfair commercial practices;
- ▶ Unsolicited repetitive phone calls;¹²⁷
- ▶ The conditions of the agreement presented in the sales pitch differ from the conditions included in the written agreement submitted to the user.¹²⁸

A reported practice of specific interest is *slamming*. In the context of the Internet service provision market, the term 'slamming' refers to switching consumers to a different provider without their consent. While the evidence appears to suggest that slamming is not a widespread phenomenon (only 3% of respondents to the consumer survey reported their Internet connection was switched to another provider without their consent),¹²⁹ a low percentage can still translate into a significant number of households affected: Ofcom estimates that 520,000 households in the UK have their fixed voice and/or broadband services slammed annually.¹³⁰

Slamming is both detrimental to consumers and competitors. Naturally, slamming is contrary to the basic concepts of a market economy. Such practices not only violate the fundamental principle of consensualism in consumer contract law but also distort competition. Strangely enough, however, slamming as such (in the sense of switching consumers to a different provider without their consent) may not constitute an unfair commercial practice under the framework of the UCP Directive. Without a doubt, knowingly slamming consumers is "contrary to the requirement of professional diligence". However, what seems to be lacking is the distortion of economic

¹²⁶ See Reg 2 which defines the notion as 'the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers which is commensurate with either: (a) honest market practices in the trader's field of activity, or (b) the general principle of good faith in the trader's field of activity'.

¹²⁷ Annex I (26) UCP Directive. Moreover, Member States should have regulations in force pursuant to art. 13 (unsolicited communications) of Directive 2002/22/EC (Universal Service Directive; as amended by Directive 2009/136/EC) dealing with unsolicited telemarketing calls.

¹²⁸ Art. 6 UCP Directive.

¹²⁹ In response to Question 27 of our consumer survey that concerns problems experienced, 3% of respondents across the EU reported that their "Internet connection was switched to another provider without the consent or knowledge of anyone in the household".

¹³⁰ For more details on the Ofcom research, please see: <http://stakeholders.ofcom.org.uk/consultations/switching-fixed-voice-broadband/summary>, and for a more detailed discussion of slamming in this report, please see the section on consumer problems and complaints.

behaviour in the sense of unduly influencing and distorting transactional decisions. Where the consumer is not involved in the slamming, there is no element of influencing choice through misleading statements, omissions, or aggression.¹³¹

Indirectly, however, slamming may well be considered to constitute an unfair commercial practice since consumers, once slammed, may be lethargic and may not always bother to reclaim their original position.

In conclusion it can be said that for some practices such as slamming, which can take many forms, technicalities associated with the practice make strong general conclusions on their legality under the Unfair Commercial Practices Directive difficult or imprudent; in such instances it is necessary to consult applicable national laws and regulations.

Also unfair commercial practices related to *billing* were reported. The UCP Directive does not provide a generic framework for billing transparency. However, if the average consumer is deceived by the billing process and bills' appearance and is thus prevented from exercising his/her contractual rights, this may constitute a UCP.¹³²

7.2 POTENTIALLY UNFAIR CONTRACT TERMS

After introducing the Unfair Contract Terms Directive, this section presents and analyses contract terms noted as problematic or potentially unfair in the stakeholder survey.

7.2.1 Unfair Contract Terms Directive

The 1993 Unfair Contract Terms Directive is a minimum harmonisation Directive¹³³ which:

- ▶ Prohibits the use of not individually negotiated terms if these, contrary to the requirement of good faith, cause a significant imbalance in the parties' rights and obligations arising under the contract, to the detriment of the consumer.¹³⁴

¹³¹ Note that there is an unfair commercial practice in cases where slamming is somehow the result of ambiguous statements made by the ISP to which the consumer somehow consents or does not explicitly object. Then, the UCP Directive naturally applies directly.

¹³² Note that national sectoral rules may apply here: in some countries, ISP are obliged to collect and publish on their website tariffs and key performance indicators about billing accuracy and clarity. In other countries, there are obligations to provide certain information on the invoice and a minimal breakdown of fees on the invoice.

¹³³ Minimum harmonisation basically means that national laws may set more stringent requirements in dealing with unfair contract terms. Indeed, national regulation of the telecommunications sector – including ISP services – may well set sector-specific standards beyond the Directive's framework.

¹³⁴ See art. 3 (1) Unfair Contract Terms Directive (93/13/EEC).

- ▶ Obliges ISPs using general contract terms to draft these in plain, intelligible language;¹³⁵
- ▶ (Indirectly) obliges ISPs to give consumers a "real opportunity to become acquainted" with the terms before the conclusion of the contract.¹³⁶

The Unfair Contract Terms Directive does not offer a guarantee of 'value for money'. A test of equilibrium of the core obligations of consumer and trader (*iustum pretium*) is explicitly outside the scope of the Directive (art. 4 (2)).¹³⁷

The indicative and non-exhaustive list of terms included in the Annex to the Directive (the 'grey list') identifies a number of terms presumed to be unfair. These are summarised in the following text box.

Grey list of terms under the 1993 Unfair Contract Terms Directive

The grey list of the Unfair Contract Terms Directive includes various terms such as those pertaining to limitation of liability, unilateral change of the contract, and penalties for non-performance. Applied to Internet service provision contracts, the list regards terms as presumed to be unfair which have, for instance, the object or the effect of:

- Inappropriately excluding or limiting the legal rights of the consumer in the event of total or partial non-performance or inadequate performance by the ISP of any of the contractual obligations, including the option of offsetting a debt owed to the ISP against any claim which the consumer may have against him (Annex par. 1 (b));
- Permitting the ISP to retain sums paid by the consumer where the latter decides not to conclude or perform the contract, without providing for the consumer to receive compensation of an equivalent amount from the ISP where the latter is the party cancelling the contract (Annex par. 1 (d));
- Requiring any consumer who fails to fulfil his obligation to pay a disproportionately high sum in compensation (Annex par. 1 (e));
- Authorizing the ISP to dissolve the contract on a discretionary basis where the same facility is not granted to the consumer, or permitting the ISP to retain the sums paid for services not yet supplied by him where it is the ISP himself who dissolves the contract (Annex par. 1 (f));

¹³⁵ See art. (2) jo. Art. 5 Unfair Contract Terms Directive.

¹³⁶ See Annex par. 1 (i) Unfair Contract Terms Directive.

¹³⁷ Note that Article 21 Directive 2002/22/EC (Universal Service Directive; as amended by Directive 2009/136/EC) sets forth that Member States ensure that national regulatory authorities are able to oblige undertakings to publish transparent, comparable, adequate, and up-to-date information on applicable prices and tariffs, on any charges due on termination of a contract and on standard terms and conditions. Such information shall be published in a clear, comprehensive, and easily accessible form. National regulatory authorities may specify additional requirements regarding the form in which such information is to be published.

- Automatically extending a contract of fixed duration where the consumer does not indicate otherwise, when the deadline fixed for the consumer to express this desire not to extend the contract is unreasonably early (Annex par. 1 (h));
- Irrevocably binding the consumer to terms with which he had no real opportunity of becoming acquainted before the conclusion of the contract (Annex par. 1 (i));
- Enabling the ISP to alter the terms of the contract unilaterally without a valid reason which is specified in the contract (Annex par. 1 (j));
- Clauses which allow the ISP to alter unilaterally the conditions of a contract of indeterminate duration are allowed, provided that the ISP is required to inform the consumer with reasonable notice and that the consumer is free to dissolve the contract (Annex (2 b));
- Enabling the ISP to alter unilaterally without a valid reason any characteristics of the service to be provided (Annex par.1 (k));
- Allowing the ISP to increase the price without giving the consumer the corresponding right to cancel the contract if the final price is too high in relation to the price agreed when the contract was concluded (Annex par. 1 (l))¹³⁸;
- Giving the ISP the right to determine whether services supplied are in conformity with the contract, or giving him the exclusive right to interpret any term of the contract (Annex par. 1 (m));
- Obliging the consumer to fulfil all his obligations where the ISP does not perform his (Annex par. 1 (o)).¹³⁹

7.2.2 Evidence

Frequently noted contract terms

First, it should be noted that at the national level there may be specific regulations restricting the range of offers ISPs can provide. Though the majority of national regulatory authorities that responded to the stakeholder survey did not report such rules, several others did indicate their existence. Specifically, 12 regulatory authorities indicated there were no such regulatory or self-regulatory rules in their country; 5 said there were; 4 did not know; and 1 did not respond to the question.¹⁴⁰ In some countries, the first contract between ISP and consumer may be limited to a maximum

¹³⁸ Par. 2 (d) of the Annex to the UCT Directive: "Subparagraph (l) is without hindrance to price-indexation clauses, where lawful, provided that the method by which prices vary is explicitly described."

¹³⁹ This is not the literal wording of the entire Directive but rather excerpts which have been re-worded to incorporate the term 'ISP' and thereby clarify the Directive's impact for the Internet service provision market.

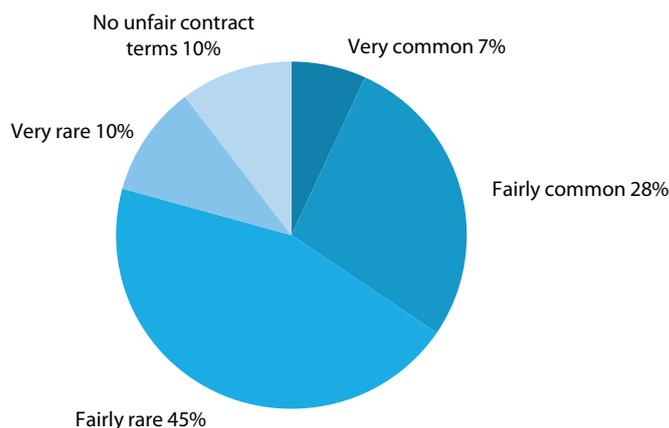
¹⁴⁰ Analysis based on national regulatory authorities' responses to Civic Consulting stakeholder survey, Question 11b: Are there any specific regulatory or self-regulatory rules regarding the following issues – Restriction of Internet service providers' range of offers (in order to protect consumers)?

running period of 24 months. In other countries, the contract may generally not run longer than 12 months.¹⁴¹

As shown in the next figure, some 35% of organisations that responded to our stakeholder survey said unfair contract terms were very common (7%) or fairly common (28%) in their country.¹⁴²

Figure 73. Frequency of unfair contract terms

Source: Civic Consulting survey of stakeholders.



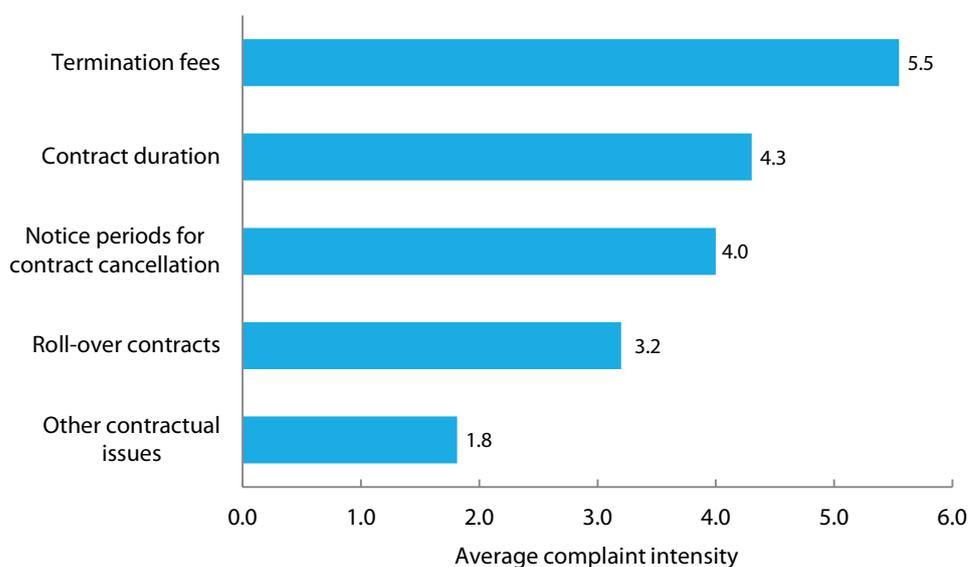
In responding to the stakeholder survey question on the relative intensity of different complaint types associated with contractual issues, stakeholder organisations provided an indication of which contractual items are currently experienced as problematic by consumers. As seen in Figure 74 below, the organisations identified termination fees as the most complained about contract-related practice, followed by contracts' duration, notice periods for cancellation, roll-over contracts, and other issues.

¹⁴¹ Based on national regulatory authorities' responses to Civic Consulting stakeholder survey, Questions 4a (What is the maximum allowed duration of an Internet provision contract?) and 11b (Are there any specific regulatory or self-regulatory rules regarding the restriction of Internet service providers' range of offers (in order to protect consumers)?). See also Directive 2009/136/EC of the European Parliament and of the Council of 25 November 2009.

¹⁴² This question was put to national regulatory authorities, consumer organisations, members of the Consumer Protection Cooperation Network, and ADR entities.

Figure 74. Contractual issues - Average complaints intensity

Source: Civic Consulting survey of stakeholders. Note: 'complaints intensity' derived from stakeholder assessment: a '10' ranking indicates very frequent receipt of consumer complaints, while a '0' indicates no complaints. Provided is the average of all responses.



In response to a different survey question,¹⁴³ which specifically asked organisations to identify the most common unfair contract terms they had observed and allowed for free, open-ended responses, organisations primarily described similar terms as seen in Figure 74 above.¹⁴⁴ Several additional and notable terms were mentioned, however. These include:

- ▶ Provisions restricting/excluding the ISP from responsibility for non-performance;
- ▶ Terms limiting or excluding providers' responsibility for QoS;
- ▶ Terms prescribing ISPs' right to make unilateral changes to contract terms/conditions;
- ▶ The blocking of customers' access to legal content and services.

From the results of the two survey questions, it is clear that several contract term issues are the ones primarily seen by consumers and stakeholder organisations as potentially problematic and/or unfair. These issues are analysed in more legal detail in the following sub-section.

7.2.3 Assessment

Here, we can assess the relative prevalence of certain clauses reported as unfair by the national regulatory authorities, members of the Consumer Protection

¹⁴³ Question 19b: Please list or briefly describe up to the five most common unfair contract terms used by broadband Internet service providers in their contracts with consumers in your country, if any.

¹⁴⁴ That is, termination fees, contract duration, and notice periods and their interaction with roll-over contracts.

Cooperation Network, ADR entities, and consumer organisations. Yet, whether these terms are actually unfair in the legal sense pursuant to the Unfair Contract Terms Directive is ultimately a matter for national courts to decide. Therefore, in this report we can only roughly assess the legality of contract terms.

Relying on the evidence, we can state that the terms most commonly reported as unfair by the consulted stakeholders include the following.

Contract terms limiting or excluding providers' responsibility¹⁴⁵

As mentioned above in the analysis of potentially unfair commercial practices, depending on the specific circumstances of a given case this issue may or may not be scrutinised under the UCP Directive. Turning to its analysis as a contract term, the question is whether a general contract term authorising ISPs to perform according to a lower QoS (e.g. speed) than advertised/agreed and exclude responsibility for differences between the advertised/agreed QoS and the actual QoS would be considered unfair.

There are a number of relevant bases for drawing a conclusion to this question, although it must be stressed that courts will ultimately have to weigh all of the relevant circumstances. Firstly, such clauses may be considered to cause, contrary to the requirement of good faith, a significant imbalance in the parties' rights and obligations arising under the contract, to the detriment of the consumer.¹⁴⁶ Secondly, the 'grey list' provides several pegs for construing unfairness, since such clauses:

- ▶ Inappropriately exclude or limit the legal rights of the consumer in the event of total or partial non-performance or inadequate performance by the ISP of any of the contractual obligations (Annex par. 1 (b));
- ▶ Enable the ISP to alter unilaterally without a valid reason any characteristics of the service to be provided (Annex par. 1 (k));
- ▶ Oblige the consumer to fulfil all his obligations where the ISP does not perform his (Annex par. 1 (o)).

Roll-over contracts (automatic/tacit renewal)

The perceived unfairness of automatically renewable contracts (which upon their initial expiry automatically begin a new contract period unless the customer actively opts out of this renewal) is that they tie consumers into prolonged contracts unless they actively and timely 'opt out'. As such, neither the 2005 UCP Directive nor the 1993 Unfair Contract Terms Directive prohibits the concept of 'automated roll-over'.

¹⁴⁵ Note that on the basis of article 22 Directive 2002/22/EC (Universal Service Directive; as amended by Directive 2009/136/EC), the Member States are authorised to regulate the QoS.

¹⁴⁶ See art. 3 (1) Unfair Contract Terms Directive (93/13/EEC).

The grey list of the Unfair Contract Terms Directive mentions clauses which automatically extend a "contract of fixed duration where the consumer does not indicate otherwise, when the deadline fixed for the consumer to express this desire not to extend the contract is unreasonably early" (Annex par. 1 (h)). This means that the initiative to opt out can be left with the consumer as long as the notification period is not unreasonably long. No further specifications on length are given. According to national regulators' responses to the stakeholder survey, the range of notification periods used across the EU in practice is wide. The reported periods range from 5 days (Lithuania) to 2 or 4 weeks (multiple countries) to 3 months (e.g. Sweden).¹⁴⁷ In some cases specific procedures such as a reminder concerning the expiry of the duration of the contract are required by national courts (see the following box).

Roll-over contracts – a court decision reported from Sweden

In a case brought before the Swedish Market Court, the Swedish Consumer Ombudsman argued that automatic renewal of subscription contracts for a fixed duration (concerning mobile telephony subscription) with an additional period of time was unfair. The Market Court however, found that a clause stipulating automatic renewal is not per se unfair provided that the consumer is reminded of the expiry of the duration of the contract and is given a possibility to terminate the contract.¹⁴⁸

The formalities required for opting out also differ from country to country (and may or may not include signed letters, registered letters, and the like).¹⁴⁹ The Unfair Contract Terms Directive does not address the form of requirement(s) for notification.

Fixed-term contracts and termination fees

The Unfair Contract Terms Directive does not directly address the issue of fixed-term contracts. Article 30 of the Universal Service Directive,¹⁵⁰ which sets rules for facilitating a change of provider, places an obligation on Member States to ensure that the maximum initial term a communications provider may stipulate in a contract is 24 months. Additionally, and according to the same article, Member States should also ensure that undertakings offer users the possibility to subscribe to a contract

¹⁴⁷ Figures based on national regulatory authorities' responses to Civic Consulting stakeholder survey, Question 5b: In practice, what is the most frequently used notice period for an Internet provision contract (in weeks).

¹⁴⁸ MD 2009:30 Konsumentombudsmannen v Canal Digital.

¹⁴⁹ Based on Internet service providers' responses to Civic Consulting stakeholder survey, Question 5b: Please describe [whether your consumer contracts automatically roll forward ('roll-over') upon their completion, establishing a new minimum contract period with a termination fee for contract cancellation], including the procedure that consumers must follow in order to opt out of automatic contract renewal.

¹⁵⁰ Directive 2002/22/EC as amended by Directive 2009/136/EC.

with a maximum duration of 12 months. National (sectoral) legislation and regulation may impose maximum duration periods for fixed-term contracts.¹⁵¹ In the stakeholder survey several national regulatory authorities reported that the regulatory maximum duration period is 24 months, though others reported it as 12 months.¹⁵² In some cases, fixed period contracts may roll over into non-fixed-term contracts terminable at will (and without extra costs).

Agreed termination fees are also in principle allowed. As discussed in Section 6 on switching, in some countries it is not uncommon to charge payment for the remaining contract period, if the contract is terminated prior to its expiration date. This obviously represents a barrier to switching. As indicated by stakeholder survey responses, national regulation sometimes sets a maximum termination fee, which in the provided responses ranged from 45 to 90 Euros.¹⁵³ In practice, termination fees – when legally charged – were identified by several national regulatory authorities as ranging between 35 and 100 Euros.¹⁵⁴ Yet, in a number of countries, it was reported that the ISP is entitled to charge, in full, the fee for the remainder of the contract period (i.e. the monthly fee multiplied by the number of months remaining on the contract).¹⁵⁵

There are two potential bases for holding contract clauses on duration and termination fees unfair:

- ▶ Where termination fees are excessive, they may be considered contrary to the requirement of good faith, and be seen as causing a significant imbalance in the parties' rights and obligations arising under the contract, to the detriment of the consumer;¹⁵⁶

¹⁵¹ Note that Article 20 Directive 2002/22/EC provides that the contract shall specify in a clear, comprehensive and easily accessible form, information on, inter alia, the duration of the contract and the conditions for renewal and termination of services and of the contract, including any minimum usage or duration required to benefit from promotional terms, any charges due on termination of the contract, including any cost recovery with respect to terminal equipment, any compensation and the refund arrangements which apply if contracted service quality levels are not met.

¹⁵² Based on national regulatory authorities' responses to Civic Consulting stakeholder survey, Question 4a: What is the maximum allowed duration of an Internet provision contract (in months)? In 2011 the Swedish Consumer Agency published a report providing an in-depth analysis of the market for mobile telephony, broadband and integrated telecom services in Sweden (available at: http://www.konsumentverket.se/Global/Konsumentverket.se/Best%C3%A4lla%20och%20ladda%20ner/rapporter/2011/2011_18_Fordjupad_analys_av_marknaden_for_telekom.pdf). According to this report, the maximum contractual period for agreements on electronic communication services in Sweden is too long. An earlier report on Better Rules for Electronic Communications (Ds 2010:19) published by the Agency in 2010 argued that the maximum lock-in period should be 12 months. However, the results presented in the 2011 report demonstrate that long contractual periods pose problems for consumers. The Agency therefore concludes that a maximum binding period of 6 months for electronic communication services should be considered.

¹⁵³ Based on national regulatory authorities' responses to Civic Consulting stakeholder survey, Question 6a: What is the maximum allowed termination fee for cancellation of an Internet provision contract during the contract period?

¹⁵⁴ Based on national regulatory authorities' responses to Civic Consulting stakeholder survey, Question 6b: In practice, what is the most frequently used termination fee for cancellation of an Internet provision contract during the contract period?

¹⁵⁵ Please see Section 6.1.6 of this report on switching for a fuller discussion of these issues.

¹⁵⁶ See art. 3 (1) Unfair Contract Terms Directive (93/13/EEC).

- ▶ The grey list forbids the use of clauses obliging the consumer who fails to fulfil his/her obligation to pay a disproportionately high sum in compensation (Annex par. 1 (e)). Arguably, this provision may also apply to premature termination by the consumer. The Directive does not define 'disproportionality' so this has to be decided on a case-by-case basis.

One-sided power of the ISP to change contract terms, price, and quality of service

The insertion of terms giving the ISP the right to unilaterally change the terms of the contract are not necessarily unfair under the Unfair Contract Terms Directive. The following terms would appear¹⁵⁷ to be allowed:¹⁵⁸

- ▶ Terms enabling the ISP to alter unilaterally the characteristics of the service with a valid reason;
- ▶ Price-indexation clauses, where lawful, provided that the method by which prices vary is explicitly described;
- ▶ Terms allowing the ISP to alter unilaterally the conditions of a contract of indeterminate duration, provided that the ISP is required to inform the consumer with reasonable notice and that the consumer is free to dissolve the contract (Annex (2 b));
- ▶ Terms allowing the ISP to increase the price, provided that the consumer is given the corresponding right to cancel the contract if the final price is too high in relation to the price agreed when the contract was concluded.

Miscellaneous contract term issues

The use of illegibly small font is prohibited in general terms since the Directive obliges ISPs using general contract terms to draft these in plain intelligible language (terms written in illegibly small font would also qualify as a misleading omission under the UCPD: according to Art. 7(2) of the Directive it is also misleading to provide information in an unclear, unintelligible, or ambiguous manner). As previously mentioned in a footnote, Article 5 of the Unfair Contract Terms Directive states that ambiguous clauses are to be interpreted in favour of the consumer. 'Hidden' conditions are in a sense prohibited as well since the Directive obliges ISPs to offer "real opportunity of becoming acquainted before the conclusion of the contract".¹⁵⁹

¹⁵⁷ Note that the reverse is not necessarily correct: terms unmentioned here are not necessarily unfair.

¹⁵⁸ Note that article 20-22 Directive 2002/22/EC (Universal Service Directive; as amended by Directive 2009/136/EC) supplements these rules by obliging Member States to ensure that subscribers to a universal communication service as defined in that Directive have a right to withdraw from their contract without penalty upon notice of modification to the contractual conditions proposed by their service provider. Customers shall be given adequate notice, not shorter than one month, of any such modification, and shall be informed at the same time of their right to withdraw, without penalty, from their contract if they do not accept the new conditions. Member States shall ensure that national regulatory authorities are able to specify the format of such notifications.

¹⁵⁹ Annex (1 i).

An example of the national implementation of the Unfair Contract Terms Directive, and how this affects the legality of specific contract terms, is provided in the following box:

Analysis of reported contract terms under German law

Germany has implemented the Unfair Contract Terms Directive 93/13/EEC in §§ 307 ff. of the Civil Code (*Bürgerliches Gesetzbuch*; BGB). Going beyond the requirements of Directive, § 309 BGB provides for a black list of terms that are absolutely prohibited, whilst § 308 BGB contains a grey list of terms that are presumed to be unfair. A general clause in § 307 BGB complements those lists.

Contract duration and renewal: From the data collected for this study in Germany, the greatest problem related to the contract terms of Internet service providers appears to be the duration of the contract and its automatic renewal, which German courts have, however, held to be lawful. The legislature itself has introduced the rule that only a provision concerning the duration of contracts of over two years is always unfair. The same applies to an automatic renewal that is valid for more than one year.¹⁶⁰ Thus, the current practice of offering two-year contracts with an automatic renewal for one year is in line with the law.¹⁶¹ The only condition is that the relevant term is sufficiently transparent.

The law has now been amended with a reform of the Telecommunications Act (*Telekommunikationsgesetz*, TKG) of 12 May 2012.¹⁶² ISP providers can still offer two-year contracts but they must also offer a contract with a duration of one year, § 43b TKG.

Maximum performance clauses: As mentioned in the report, one practice sometimes used by ISPs consists in the determination of maximum performance, whilst the actual performance may be considerably lower. This has been complemented with standard terms according to which the ISP only has to deliver the speed that is possible at the consumer's domicile. In a case where the consumer had a contract for an Internet connection with an option of 16,000 kbit/s but in fact only received 3,072 kbit/s, the District Court (*Amtsgericht*) Fürth allowed the consumer to terminate the contract, arguing that the above-mentioned standard term was unfair.¹⁶³ In fact, this would allow the ISP to only deliver part-performance but to charge the full price for it. Other providers reserve the right to provide the lower service at a lower price if the desired speed cannot be performed at the consumer's domicile. This was also held to

¹⁶⁰ § 309 no. 9 of the German Civil Code (*Bürgerliches Gesetzbuch*; BGB).

¹⁶¹ See also Bundesgerichtshof (BGH), 4/12/1996, XII ZR 193/95, *Neue Juristische Wochenschrift* (NJW) 1997, 739.

¹⁶² Federal Gazette (*Bundesgesetzblatt*) 2012 I, 958.

¹⁶³ AG Fürth, 7/5/2009, 340 C 3088/08. See also AG Kiel, 4/3/2011, 106 C 21/11, *Schleswig-Holsteinische Anzeigen* (SchlHA) 2011, 337, where the court granted a right to terminate the contract due to change of circumstance.

be an unfair term since the service to be performed in such a case is substantially different from what the consumer ordered.¹⁶⁴

Unilateral alteration rights: Standard terms according to which the ISP has the right to change the price or the service have also been held to be unfair by the courts, in particular since such terms do not specify clearly and precisely under what circumstances the ISP is allowed to do so.¹⁶⁵

¹⁶⁴ See LG Düsseldorf, 28/12/2011, 12 O 501/10, *Multimedia und Recht* (MMR) 2012, 227.

¹⁶⁵ See, for example, BGH, 11/10/2007, III ZR 63/07, WM 2007, 2202.

8 CONSUMER PROBLEMS AND COMPLAINTS

This section focuses on the nature and extent of consumer problems and complaints in the Internet service provision market and the reasons behind the complaints. The consumer survey results presented here show that 37% of respondents across the EU, Iceland, and Norway experienced one or more problems with their Internet service provider during the last 12 months. Reported problems are mostly technical issues, but a significant proportion also relate to contract terms and customer service/technical assistance.

This section canvasses a range of viewpoints. Surveys are used to identify problems and complaints, in particular from the viewpoint of consumers, but also based on the experiences of stakeholder organisations, including those of national regulatory authorities (NRAs), consumer organisations, members of the Consumer Protection Cooperation Network, alternative dispute resolution (ADR) entities, and Internet service providers (ISPs). Evaluation of the data includes comparative analyses of individual countries, groups of countries, and socio-demographic subgroups. We approach these tasks by presenting data in response to the following questions:

1. What level of problems and complaints has previous research identified in the market for Internet access and provision?
2. What is the incidence of problems experienced by consumers according to research conducted for this study?
3. What types of problems are occurring? What is the estimated monetary detriment to consumers as a result of time spent trying to solve problems and, if applicable, temporary Internet connection loss?

8.1 BACKGROUND

The European Commission Scoreboard indicates that the 'Internet provision' market has a high level of consumer problems, dissatisfaction, and complaints.¹⁶⁶ The findings of our research are consistent with this assessment.

Problems and complaints with Internet service providers (ISPs) are high not only in the EU but also in a wide range of countries, including Australia and the United States. Moreover, in a number of countries complaints appear to be increasing sharply, raising concerns about the extent to which complaints are being driven by systemic reasons. The rise in complaints is all the more concerning since the

¹⁶⁶ A complaint is an expression of dissatisfaction made to an organisation, related to its products or services, or the complaints-handling process itself, where a response or resolution is implicitly or explicitly expected.

consequences of poor customer service and complaints-handling are likely to be even more serious for vulnerable or disadvantaged consumers (who may lack the knowledge, confidence, capability, and tenacity to lodge successful complaints).

A focus on consumer complaints is warranted since complaints are an important 'grass roots' input into policy-making. But available information on consumer problems and complaints is patchy and unsystematic. There is limited harmonised data on consumer complaints made to third parties (e.g. consumer organisations, ombudsmen, regulators, etc.). Complaints are collected by complaint bodies in a number of EU Member States but they are not comparable, thereby limiting usefulness to stakeholders and evidence-based policy development. In this respect, the European Commission has launched an initiative that follows on the conclusions of the European Council, the opinions of the European Parliament, the Economic and Social Committee, and the views of stakeholders to develop harmonised data on consumer complaints in order to better monitor the consumer market and deliver a better outcome for consumers. Notably, the European Parliament believes that an important step towards better policy and regulation through evidence-based policies would be the introduction of a harmonised methodology for classifying and reporting consumer complaints aimed at delivering comparable data at regular intervals. The European Parliament has called on all complaint bodies to adopt the methodology and report on complaints data once it is in place.¹⁶⁷

The present lack of a systematic, harmonised approach is the backdrop to our survey research into consumer problems and complaints in the Internet access and provision markets of EU Member States, as well as Iceland and Norway.

Previous research conducted for the European Commission has found that the percentage of consumers encountering problems in the Internet access and provision market is high, and that the percentage of consumers complaining about those problems is among the highest of all markets. Specifically, more than one in four consumers (26%) reported in 2010 and 2011 to have experienced a problem in this market. In 2011, 91% of those consumers complained about the problem that they experienced in the Internet access and provision market.¹⁶⁸

¹⁶⁷ See Recommendation on the use of a harmonised methodology for classifying and reporting consumer complaints and enquiries. Available at: http://ec.europa.eu/governance/impact/planned_ia/docs/42_sanco_consumer_complaints_en.pdf.

¹⁶⁸ 82% of consumers complained to a retailer or provider, 8% to a manufacturer, 5% to a third party company, and 34% to friends or family members. See: GfK. 2011. *Monitoring consumer markets in the European Union*. Report prepared for DG SANCO.

8.2 INCIDENCE OF PROBLEMS EXPERIENCED

This section compares the incidence of problems. It looks both at the proportion of consumer survey respondents that has experienced problems by country, and analyses the incidence of problems on different socio-demographic and user groups. Our findings show a substantial incidence of problems among survey respondents (nearly 40% across the EU), a finding substantiated by previous research.¹⁶⁹

The key findings are that:

1. Across the EU, just over a third (37%) of respondents to our consumer survey report that they have experienced problems with their Internet provider during the last 12 months;
2. The incidence of problems is higher for respondents in the EU12 than in the EU15; and, among the EU15 Member States, the average incidence is higher in the four countries in the south of Europe (Greece, Italy, Portugal, and Spain) than the remaining EU15 Member States;¹⁷⁰
3. The incidence of problems among respondents subscribed to an incumbent provider and those subscribed to a new entrant ('other') provider are nearly identical.

8.2.1 Overall incidence of problems by country

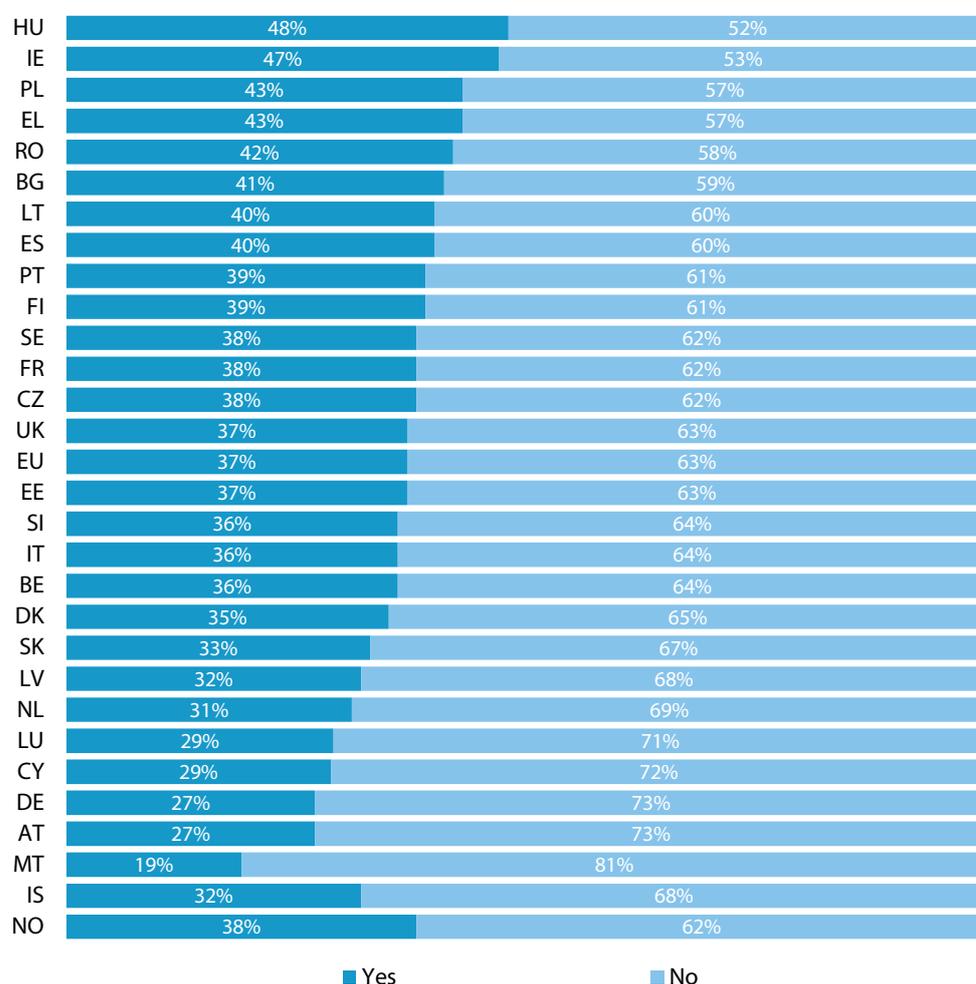
Across the EU, just over a third (37%) of respondents to our consumer survey report having experienced problems with their Internet provider during the last 12 months. As the figure below indicates, the percentage of respondents experiencing problems is substantial in all Member States, as well as Iceland and Norway, though there are some differences between countries. The proportion experiencing problems is highest (above 40%) in Hungary, Ireland, Greece, Poland, Romania, and Bulgaria, while the lowest proportions are found in Malta (19%), Germany, and Austria (both 27%). Overall, the incidence of problems is higher for respondents in the EU12 than in the EU15: on average across Bulgaria and Romania, 42% of respondents incurred problems, and across the other 10 Member States in the EU12 grouping, the proportion experiencing problems is 41%. Both figures are higher than the EU27 average of 37%.

¹⁶⁹ In terms of contemporary data, the Federation of Independent Users and Consumers (FUCI) in Spain reports a recent noticeable increase in problem/complaint frequency. According to FUCI, it had received (up to 6 March 2012) 25,459 queries and claims, 46% of which were related to telephone and Internet providers (19% to electricity companies, 8% to financial services, and 6% to housing). According to the press statement made by the president of FUCI, the figures relating to telephone and Internet provision are "alarming" because they suggest that consumers are more and more dissatisfied with services provided by these companies. "We have gone from a figure of 27% in claims in this sector during 2011 to 46% in just the first part of this year..." For more details, see: <http://www.fuci.es/?p=422>.

¹⁷⁰ The average incidence across Greece, Italy, Portugal, and Spain is 38%, whereas the average incidence across the remaining EU15 countries, plus Iceland and Norway, is 34%.

Figure 75. Incidence of problems with ISPs, analysis by country

Source: Consumer survey, Q26: Over the last 12 months, have you experienced any problems with your Internet service provider? (N=27668 for EU27)



8.2.2 Incidence of problems by socio-demographics and user groups

The next table provides a further breakdown regarding the incidence of problems. Younger respondents are also more likely to report having experienced a problem. The proportion ranges from 44% of 15-24 year olds to 29% of those aged 55 or over. Relatively highly educated respondents are more likely to say they experienced problems than less qualified respondents (although an exception is the group with the lowest level of education, for whom the proportion who said they were experiencing problems is relatively high at 41%).

Those in metropolitan zones are more likely than those in other types of localities to say they experienced problems (41% compared to 35%), while those who have considered switching their provider (but have not actually done so) are also more likely than other respondents to say they have had problems.

More frequent users of the Internet at home – for both leisure and business – are more likely than less frequent users to say they have experienced problems. However, there are no differences according to the ways in which respondents' households use the Internet (e.g., downloading movies, playing games, using social networking sites, etc.). Those with slower connection speeds are more likely than other respondents to say they have experienced problems.

Notably, the incidence of problems among respondents subscribed to an incumbent provider (36%) and those subscribed to a new entrant ('other') provider (37%) are nearly identical.

Lastly, there appears to be no correlation between the sub-samples of Internet 'proficient' and 'non-proficient' respondents, and the incidence of problems experienced: 36% of proficient respondents indicated experiencing a problem compared to 37% of non-proficient respondents.

Table 50. Incidence of problems with ISP, analysis by age, education, locality, switching behaviour, Internet usage for leisure and business, connection speed, type of Internet access, provider, and Internet proficiency

Source: Consumer survey, Q26.
(N=27668 for EU27).

	Sub-sample	Yes	No
Average	EU27	37%	63%
	EU15	35%	65%
	EU12	41%	59%
Age	15 to 24	44%	56%
	25 to 39	40%	60%
	40 to 54	36%	64%
	55 +	29%	71%
Education	Elementary school or less	41%	59%
	Some high school	29%	71%
	High school graduation	36%	64%
	University graduation	38%	62%
	Post-graduate degree	41%	59%
	Other qualification	43%	57%
Locality	Metropolitan	41%	59%
	Urban centre	35%	65%
	Rural/Village	35%	65%
Switching behaviour	Switchers	34%	66%
	Considerers	49%	51%
	Non-Switchers	26%	74%
Usage – Leisure	3 or more hours/day	39%	61%
	Less than 3 hours/day	32%	68%
	Never	34%	66%
Usage – Business	3 or more hours/day	42%	58%
	Less than 3 hours/day	36%	64%
	Never	29%	71%
Speed	Up to 2 Mbps	47%	53%
	>2 Mbps to 12 Mbps	37%	63%
	>12 Mbps to 30 Mbps	32%	68%
	More than 30 Mbps	32%	68%
Access	DSL	35%	65%
	Cable	38%	62%
	Optical fibre (FTTx)	41%	59%
	Satellite	46%	54%
	Dongle/USB/Other	37%	63%
ISP	Incumbent	36%	64%
	Others	37%	63%
Internet proficiency	Proficient	36%	64%
	Non-proficient	37%	63%

8.3 TYPES OF PROBLEMS EXPERIENCED

This section examines the types of problems reported by consumer survey respondents, and identifies the complaint categories for which stakeholder organisations indicate the greatest magnitude of consumer complaints.

The key findings are that:

1. The most common types of problems reported by consumer survey respondents are interruptions to their Internet connection (60% of respondents who had a problem with their provider), and a slower than advertised connection speed (41%); other technical problems experienced at a relatively high rate include blocking or slowing down ('throttling') of services (22%);
2. Aside from technical issues, substantial proportions of respondents experienced problems with poor customer service (26%), slow service repair times (23%), unclear bills (10%), and bills with errors (12%);
3. Information obtained through our stakeholder survey is consistent with the consumer survey results presented above: on average, technical issues were ranked as those for which the organisations receive the most frequent complaints from consumers, with billing problems reportedly leading to the next highest level of complaints, followed by contract issues and commercial practices/transparency of offers.
4. With respect to problems associated with technical issues, the average complaint intensity ratings provided by organisations that responded to the stakeholder survey is highest for 'speed of connection' and 'interruptions in connection'; 'problems with other bundle components' is the next most frequently complained about issue, according to the survey results.

8.3.1 Overall types of problems

Responses to our consumer survey enable us to identify the types of problems being experienced in the market. These are set out in Figure 76 below. Problems reported by respondents are mostly technical, but a significant number relate to contract terms and customer service.

The most common type of problem reported by consumer survey respondents are interruptions to their Internet connection. Of those respondents who experienced a problem(s) with their provider, 60% identified connection interruptions as one of the problems encountered, while 41% identified a slower than advertised connection

speed.¹⁷¹ Other technical problems experienced by respondents at a relatively high rate include blocking or slowing down ('throttling') of services (22%). There were also problems with poor customer service (26%), slow service repair times (23%), unclear bills (10%) and bills with errors (12%). Seven percent of respondents reported problems with additional online features, and 3% indicated that their provider had misused personal data/bank details.

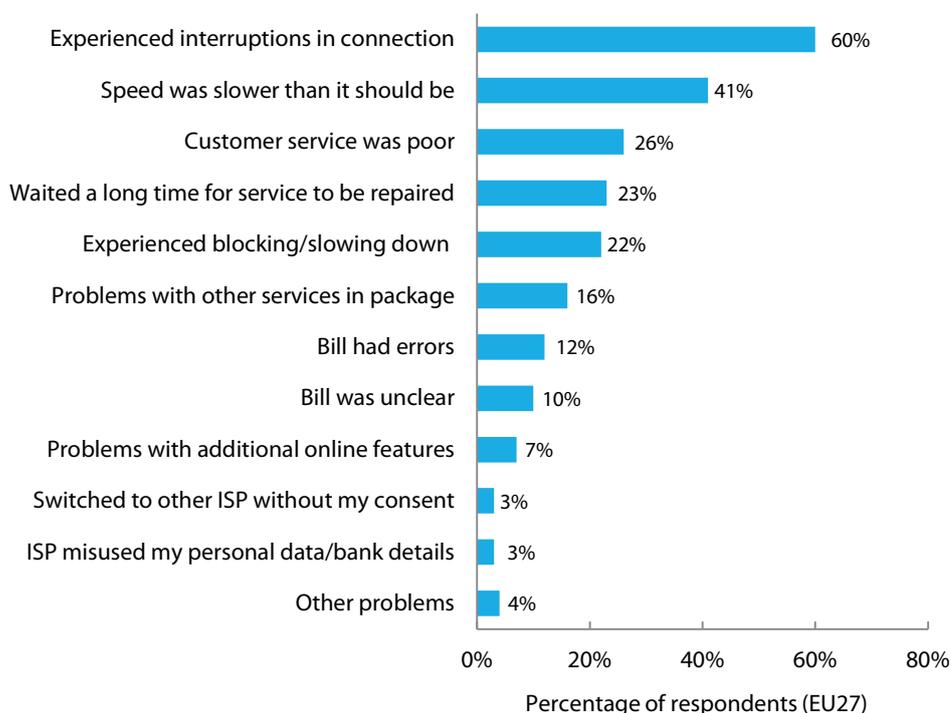
Being switched to another provider without one's consent or knowledge ('slamming') is a problem reportedly experienced by 3% of survey respondents. Though this constitutes a relatively low percentage, in absolute terms it suggests that a significant number of households may have been affected by slamming in the past year, a finding supported by external research (as discussed in Section 7).¹⁷²

¹⁷¹ In the UK, Ofcom has developed a voluntary code of practice on advertising of broadband speeds to help ensure that ISPs provide consumers with a better expectation of the speed they are likely to receive in practice. See: Ofcom. 2010. *The UK Voluntary Code of Practice on Broadband Speeds*. The Committee of Advertising Practice (CAP) and the Broadcast Committee of Advertising Practice (BCAP) in the UK recommended a change in advertising practice to better reflect consumer expectations of broadband services that are advertised using 'up to' speed claims. According to the Help Note prepared by the CAP and BCAP on the use of speed claims in broadband advertising, "where advertisers make a numerical speed claim that is likely to be understood by consumers as the maximum speed of their service, they should be able to demonstrate that the speed is achievable for at least 10% of the relevant customer base." This guidance came fully into effect on 1 April 2012. See: Committee of Advertising Practice (CAP), Broadcast Committee of Advertising Practice (BCAP). 2011. *Help Note. Use of speed claims in broadband advertising*.

¹⁷² Ofcom. 2012. *Consumer switching*. A consultation on proposals to change the processes for switching fixed voice and broadband providers on the Openreach copper network.

Figure 76. Types of problems experienced

Source: Consumer survey, Q27: Have you experienced any of the following problems? (N=10109 for EU27)



The proportion of consumer survey respondents reporting interruptions to their Internet connection is highest in Bulgaria and Cyprus, and is generally higher in EU12 Member States than in EU15 Member States (78% for Bulgaria and Romania, 74% across the other 10 Member States in the EU12, 50% for the four countries in the south of Europe (Greece, Italy, Portugal, and Spain), and 59% for the remaining Member States, plus Iceland and Norway.¹⁷³

A relatively high proportion of respondents in Romania say they have had problems with connection speed, poor customer service, a long wait for service repair and blocking or slowing down of services. Figures are also high in Iceland, in relation to connection speed and customer service, and in Italy, in relation to the blocking or slowing down of services.

The proportion reporting problems with bills is highest in Spain, both in relation to bills having errors and being unclear. Respondents in Luxembourg and Iceland are also more likely than other respondents to mention problems with unclear bills. Problems with other services in the package are much more likely to be mentioned in Slovenia than in other countries.

¹⁷³ Cumulative results for each country grouping are determined by weighting the results for each country according to their relative populations.

Table 51. Types of problems experienced, analysis by country

Country	Interruptions in the Internet connection	Speed was slower than it should be	Customer service was poor	Waited a long time for my service to be repaired	Blocking/slowing down of services	Problems with the other services in the package	My bill had errors	My bill was unclear	Problems with additional online features provided	Misuse of my personal data/bank details	Switched to another provider without consent	Other problems
EU27	60%	41%	26%	23%	22%	16%	12%	10%	7%	3%	3%	4%
BE	61%	30%	28%	19%	27%	26%	15%	14%	7%	1%	2%	7%
BG	83%	52%	14%	21%	14%	15%	3%	5%	3%	1%	1%	1%
CZ	72%	48%	20%	19%	9%	12%	9%	13%	5%	0%	2%	4%
DK	63%	32%	20%	15%	17%	16%	9%	9%	4%	3%	2%	4%
DE	50%	36%	27%	30%	16%	13%	12%	12%	5%	3%	3%	5%
EE	76%	38%	14%	20%	20%	22%	3%	4%	4%	0%	0%	4%
IE	63%	54%	25%	19%	29%	11%	13%	10%	7%	2%	4%	2%
EL	62%	48%	21%	15%	23%	10%	10%	10%	4%	5%	6%	2%
ES	51%	38%	25%	16%	21%	13%	23%	16%	7%	5%	3%	3%
FR	58%	31%	30%	27%	26%	25%	9%	10%	11%	4%	4%	6%
IT	44%	39%	21%	17%	32%	10%	9%	9%	7%	8%	3%	1%
CY	83%	30%	5%	5%	10%	16%	3%	1%	3%	0%	1%	4%
LV	60%	36%	7%	19%	9%	18%	5%	4%	5%	0%	3%	7%
LT	75%	43%	7%	18%	21%	16%	5%	9%	4%	1%	1%	4%
LU	72%	39%	29%	11%	21%	15%	17%	16%	13%	1%	1%	5%
HU	77%	45%	17%	19%	13%	19%	6%	9%	5%	1%	3%	2%
MT	55%	25%	12%	10%	9%	13%	12%	3%	2%	1%	0%	13%
NL	60%	29%	27%	17%	13%	22%	12%	7%	5%	1%	2%	9%

Country	Interruptions in the Internet connection	Speed was slower than it should be	Customer service was poor	Waited a long time for my service to be repaired	Blocking/slowing down of services	Problems with the other services in the package	My bill had errors	My bill was unclear	Problems with additional online features provided	Misuse of my personal data/bank details	Switched to another provider without consent	Other problems
AT	60%	43%	26%	29%	12%	15%	11%	9%	7%	2%	4%	8%
PL	73%	46%	29%	29%	17%	11%	9%	10%	6%	1%	3%	2%
PT	65%	45%	27%	28%	18%	29%	15%	9%	6%	1%	2%	3%
RO	76%	61%	35%	41%	33%	26%	6%	6%	5%	2%	4%	3%
SI	76%	39%	10%	31%	29%	45%	5%	7%	6%	0%	1%	4%
SK	71%	50%	15%	16%	25%	10%	6%	4%	5%	2%	3%	2%
FI	74%	47%	30%	22%	7%	12%	13%	9%	8%	1%	3%	5%
SE	71%	41%	28%	24%	15%	17%	13%	7%	6%	1%	2%	5%
UK	63%	44%	27%	20%	25%	15%	14%	10%	12%	4%	6%	4%
IS	77%	58%	36%	27%	10%	37%	9%	23%	3%	1%	0%	8%
NO	55%	45%	22%	21%	20%	20%	9%	9%	10%	2%	4%	5%

Source: Consumer survey, Q27 (N=10109 for EU27). Note: for the percentage of respondents per country that indicated having experienced any type of problem with their Internet service provider, please see Figure 75.

As indicated below in Table 52, the proportion of consumer survey respondents that say they have experienced 'interruptions to their Internet connection'¹⁷⁴ increases with age, ranging from 50% among 15-24 year olds to 68% of those aged 55 or over. Reported interruptions to connections are also more common in rural zones and in areas where there are more ISPs (60% with 3 or more ISPs). Respondents in rural zones are also more likely to say they have had problems with their connection speed, compared with those in other locality types.

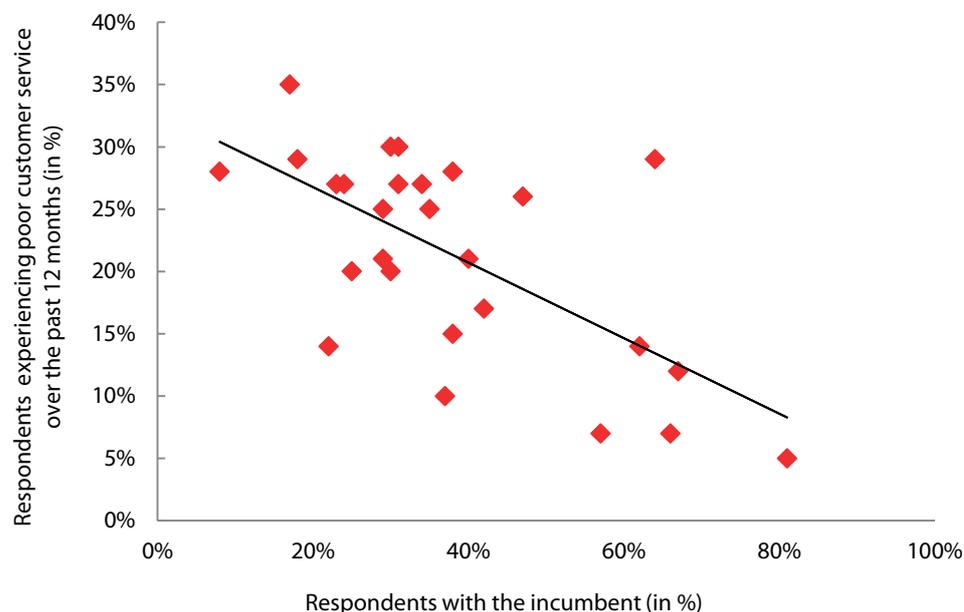
There are also some differences according to usage of the home Internet connection for leisure and business. Those respondents from households that use the Internet for leisure for three or more hours per day are more likely to say they have had technical problems (e.g. interruptions or slow speed), compared with those using it for less than three hours per day. Interruptions to the Internet connection are more likely to be mentioned by those households that do not use the home Internet for business. This may be related to the findings on age, since older users are less likely to use the Internet at home for business/work related tasks.

Across the surveyed countries, the types of problems experienced do not appear to differ by provider type. That is, respondents subscribed to incumbent providers report the same problems at approximately the same rates as respondents subscribed to new entrant ('other') providers. For example, 'speed is slower than it should be' is a problem reported by 40% of incumbent users and 41% of new entrant users. Such overall findings may conceal some country-level differences, however. The next figure provides an example in relation to the percentage of respondents who report having experienced poor customer service .

¹⁷⁴ A consumer survey conducted for a study commissioned by the European Commission on problems experienced by consumers with digital services revealed that service interruptions or "outages" were identified by consumers as a key issue underlying short-term access problems. This study indicates that related feedback from industry representatives stressed that such short-term access restrictions typically relate to Internet connection problems and thus solutions to these specific issues would largely rely on actions taken by Internet service providers rather than the suppliers of the digital content (see Europe Economics, 2011. *Digital Content Services for Consumers: Assessment of Problems Experienced by Consumers*).

Figure 77. Relationship between the percentage of respondents who reported having experienced poor customer service and the percentage subscribed to the incumbent provider

Source: Consumer survey, Q37 (Which Internet provider do you use for your main home Internet connection?), Q27 (Have you experienced any of the following problems? -- The customer service was poor). Note: Each dot represents a country.



Among the total sample of survey respondents who experienced any type of problem over the previous 12 months, 'poor customer service' was reported by similar percentages of respondents subscribed to incumbents and new entrants (25% and 26%, respectively). However, there is a robust negative correlation (-0.65)¹⁷⁵ between the percentage of respondents in each country who reported experiencing poor customer service and the percentage subscribed to the incumbent provider.

¹⁷⁵ Significance level: $p < 0.001$.

Table 52. Types of problems experienced, analysis by age, locality, number of ISPs, usage, package, WiFi, speed, type of access, and ISP

	Sub-sample	Experienced interruptions	Speed was slower than it should be	Customer service was poor	Waited long time for service to be repaired	Blocking/slowing down of services	Problems with other services in package	Bill had errors	Bill was unclear	Problems with additional online features
Average	EU27	60%	41%	26%	23%	22%	16%	12%	10%	7%
Age	15 to 24	50%	38%	23%	24%	25%	16%	11%	12%	10%
	25 to 39	57%	39%	24%	22%	22%	16%	14%	10%	6%
	40 to 54	64%	43%	28%	24%	24%	17%	11%	10%	8%
	55 +	68%	42%	27%	22%	18%	15%	9%	10%	6%
Locality	Metropolitan	55%	38%	25%	24%	22%	18%	13%	10%	8%
	Urban centre	60%	39%	26%	24%	22%	17%	11%	11%	7%
	Rural/Village	64%	46%	26%	22%	23%	13%	12%	10%	7%
Number of ISPs	1	46%	39%	22%	28%	20%	13%	14%	14%	6%
	2	52%	38%	27%	25%	22%	17%	10%	10%	9%
	3+	60%	42%	29%	24%	24%	16%	14%	11%	8%
Usage - Leisure	3 or more hours/day	62%	42%	26%	24%	24%	17%	12%	10%	7%
	Less than 3 hours/day	57%	38%	25%	22%	19%	15%	11%	11%	7%
	Never	54%	27%	21%	16%	11%	13%	5%	13%	4%
Usage - Business	3 or more hours/day	54%	38%	28%	26%	24%	16%	13%	12%	9%
	Less than 3 hours/day	62%	42%	24%	22%	21%	15%	12%	10%	6%
	Never	68%	43%	25%	19%	21%	19%	10%	8%	5%

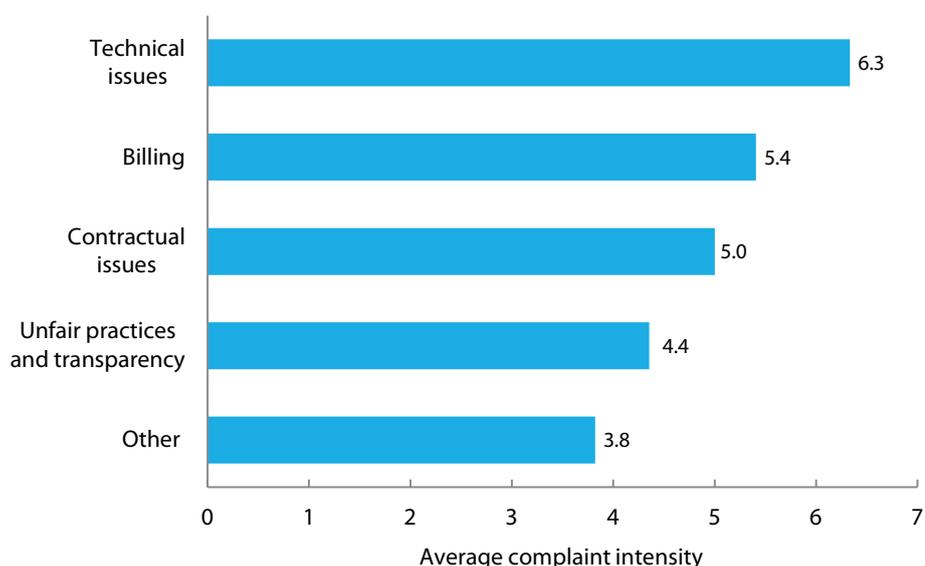
	Sub-sample	Experienced interruptions	Speed was slower than it should be	Customer service was poor	Waited long time for service to be repaired	Blocking/slowing down of services	Problems with other services in package	Bill had errors	Bill was unclear	Problems with additional online features
Package	Standalone	72%	50%	26%	22%	21%	2%	7%	8%	4%
	Bundle	58%	39%	26%	23%	22%	18%	12%	11%	8%
WiFi	Yes	66%	44%	29%	26%	24%	19%	12%	10%	7%
	No	54%	38%	23%	21%	21%	14%	12%	11%	8%
Speed	Up to 2 Mbps	53%	38%	24%	25%	26%	14%	12%	10%	10%
	> 2 to 12 Mbps	59%	40%	26%	23%	22%	16%	11%	11%	8%
	>12 to 30 Mbps	64%	43%	25%	24%	18%	19%	13%	10%	6%
	> 30 Mbps	67%	43%	27%	24%	23%	23%	10%	11%	6%
Access	DSL	60%	41%	26%	23%	22%	15%	11%	10%	6%
	Cable	64%	39%	25%	24%	23%	22%	12%	11%	7%
	Optical fibre (FTTx)	56%	37%	25%	23%	22%	19%	14%	9%	11%
	Satellite	37%	31%	20%	26%	20%	9%	16%	11%	12%
	Dongle/USB/Other	66%	56%	26%	20%	28%	7%	9%	12%	5%
ISP	Incumbent	58%	40%	25%	22%	21%	15%	13%	11%	7%
	Others	61%	41%	26%	24%	23%	16%	11%	10%	7%

Source: Consumer survey, Q27: Have you experienced any of the following problems? (N=10109 for EU27). Note: Table includes problems chosen by 5% or more of respondents.

Information obtained through our stakeholder survey is consistent with the consumer survey results presented above. We asked stakeholder organisations, including national regulatory authorities, consumer organisations, members of the Consumer Protection Cooperation Network, ADR entities, and ISPs, to rate issues according to the magnitude of associated consumer complaints from 0 (no complaints) to 10 (very many complaints). The figure below shows the results at the category level: on average, technical issues were ranked foremost (average complaint intensity of 6.3), with billing problems reportedly leading to the next highest level of complaints (5.4), followed by contract issues (5.0) and commercial practices and transparency of offers (4.4).

Figure 78. Main categories of complaints – Average of complaints intensity

Source: Civic Consulting stakeholder survey.
Notes: (1) 'complaints intensity' derived from stakeholder assessment: a '10' ranking indicates very frequent receipt of consumer complaints, while a '0' indicates no complaints. Provided is the average of all responses; (2) this figure does not include national regulatory authorities' rankings, as they were only asked to rank individual complaint types.



We now examine the nature and extent of consumer problems and complaints with Internet service providers in more detail.

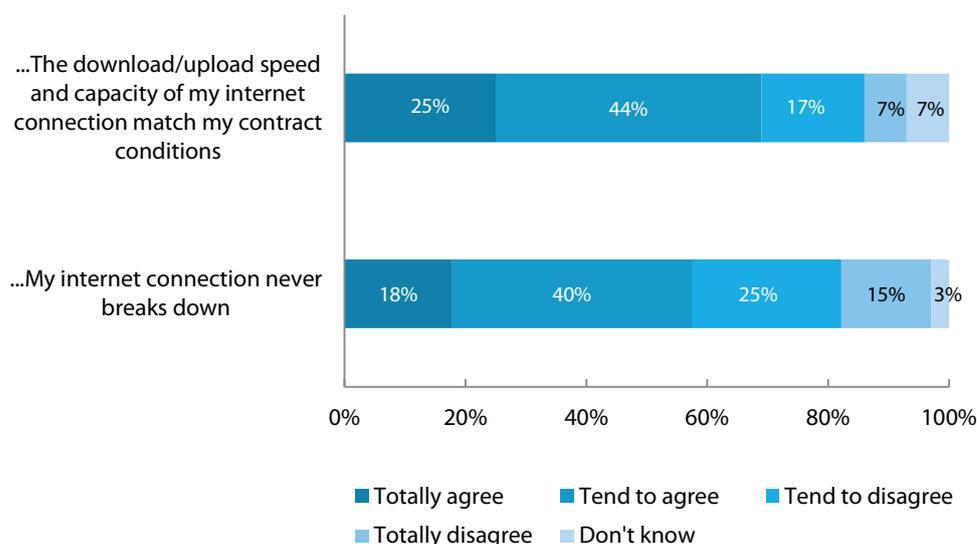
8.3.2 Problems and complaints related to technical issues

In regard to the speed and capacity of their Internet connection, 69% of consumer survey respondents agree that connection performance matches their contract conditions, but 24% disagree with this statement.

Concerning connection reliability, only slightly more than half of respondents (58%) indicate that their Internet connection never breaks down.

Figure 79. Attitudes to reliability

Source: Consumer survey, Q25: For each of the following, please indicate whether you totally agree, tend to agree, tend to disagree or totally disagree. (N=27668 for EU27)



Attitudes on download/upload speed and connection capacity matching contract conditions are broadly similar across most EU Member States. Respondents in the EU12 tend to be more positive, with the highest levels of agreement in Bulgaria and Cyprus (81% in each country). Respondents in Italy and Portugal are most likely to disagree (both 30%).

Respondents to the consumer survey in Latvia and Malta stand out as having the most positive attitudes towards the reliability of their Internet connections. In each country, 71% of respondents agree that their Internet connection never breaks down. By contrast, Finland, Norway, and Slovenia have the highest proportion of negative responses. In these three countries, respondents are more likely to disagree than agree that their Internet connection never breaks down.

The following table provides more detail about the incidence of problems with technical issues. Though attitudes are fairly similar across socio-demographic groups, positive attitudes toward download/upload speed and connection capacity matching contract conditions do increase with connection speed (from 61% for respondents with speeds at or below 2 Mbps to 77% for those with speeds above 30 Mbps). This also applies to the results on reliability: as connection speed increases, positive attitudes toward reliability increase, reaching their highest proportion for a speed of more than 30 Mbps when respondents' agreement that their Internet connection 'never breaks down' is 64%. One potential explanation is that those who pay more for a better, higher speed service do receive better service since reliability of service improves with speed.¹⁷⁶

¹⁷⁶ Although, conversely, the percentage of consumer survey respondents who 'complained to their Internet service provider [about the biggest problem they experienced in the past 12 months]' (Q31) increases for those with faster connection speeds (perhaps those

In regard to technology, the highest level of agreement (63%) occurs for those respondents served by optical fibre connections. Those accessing the Internet via a dongle/USB or by 'Other' means were less likely to agree with both of the statements.

The results of both questions do not differ by more than 2% according to whether respondents are subscribed to the incumbent or a new entrant ('other') provider.

Respondents located in rural zones or villages less often agree that their Internet connection 'never breaks down' than those in other types of localities. Fifty-five percent of respondents in rural zones and villages agree with this statement compared to 60% and 58% of respondents in metropolitan zones and urban centres, respectively.

Table 53. Attitudes to reliability, analysis by connection speed, type of Internet access, provider, and locality

Source: Consumer survey, Q25. (N=27668 for EU27)
Note: The table indicated the percentage of respondents who agreed with the statement.

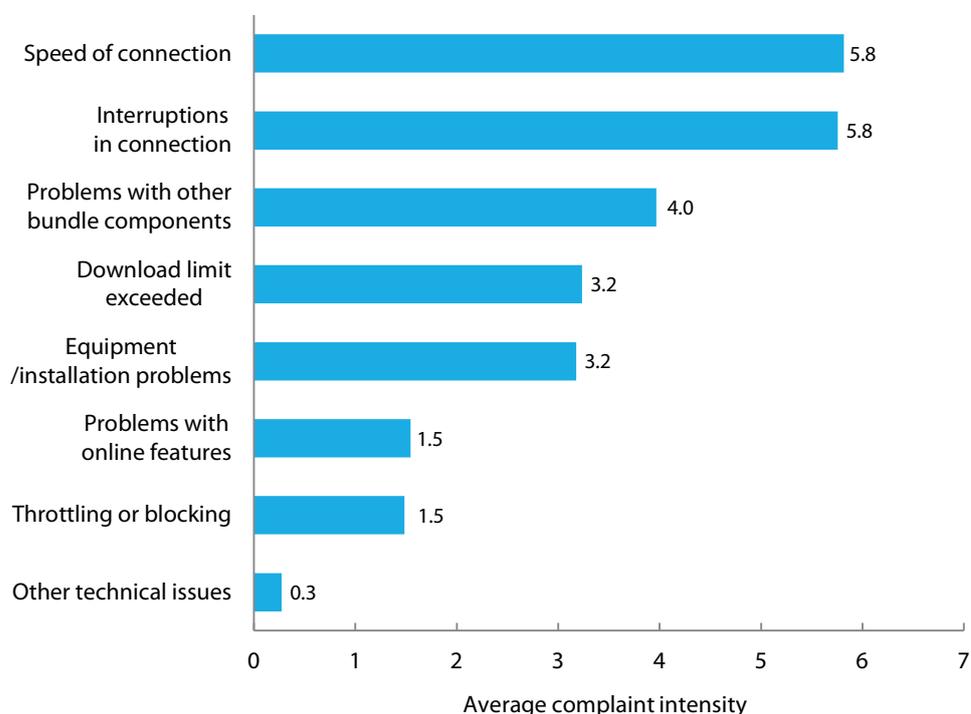
	Sub-sample	...The download/upload speed and capacity of my Internet connection match my contract conditions	...My Internet connection never breaks down
Average	EU27	69%	58%
Speed	Up to 2 Mbps	61%	49%
	>2 to 12 Mbps	69%	56%
	>12 to 30 Mbps	72%	62%
	More than 30 Mbps	77%	64%
Access	DSL	68%	58%
	Cable	73%	56%
	Optical fibre (FTTx)	76%	63%
	Satellite	70%	60%
	Dongle/USB/Other	61%	45%
ISP	Incumbent	69%	59%
	Other	69%	57%
Locality	Metropolitan	70%	60%
	Urban centre	70%	58%
	Rural/Village	67%	55%

To obtain a sense of the intensity of complaints related to technical issues, we asked organisations responding to the stakeholder survey to rate the level of complaints they have recently received on various technical issues from 0 to 10. The following figure shows the average rating given by all responding stakeholders.

paying more for a faster connection are less likely to experience problems, but more likely to feel entitled to complain to their provider if they do. So, providers of optical fibre connections could receive a different level of complaints than DSL providers).

Figure 80. Technical issues - Average of complaints intensity

Source: Civic Consulting stakeholder survey.
Note: 'complaints intensity' derived from stakeholder assessment: a '10' ranking indicates very frequent receipt of consumer complaints, while a '0' indicates no complaints. Provided is the average of all responses.



Complaints on connection speed were rated at 5.8, as were complaints regarding interruptions in Internet connections. Complaints regarding problems with other bundle components (TV, fixed telephony, mobile telephony, etc.) were rated at 4.0, and complaints associated with both download limits and equipment/installation problems at 3.2. Complaints about 'throttling' or 'blocking' were rated relatively insignificant, at 1.5.

Overall, these findings broadly confirm the results of the consumer survey, which found that the problems most frequently experienced by respondents related to connection interruptions and connection speed.

As seen in the next table, average complaint intensity ratings vary by type of stakeholder organisations. For instance, while members of the CPC Network (i.e. the national authorities responsible for the enforcement of consumer protection laws) and NRAs ranked 'speed of connection' and 'interruptions in connection' as the technical issues for which they receive the most complaints, consumer organisations ranked 'problems with other bundle components' highest, and ADR entities, on average, indicated that in their experience complaints/cases on 'speed of connection' are more common than those related to 'interruptions in connection'. In contrast, ISPs suggested connection interruptions are a stronger source of consumer complaints than connection speed.

Table 54. Technical issues - Average of complaints intensity

Source: Civic Consulting stakeholder survey.
Note: 'complaints intensity' derived from stakeholder assessment: a '10' ranking indicates very frequent receipt of consumer complaints, while a '0' indicates no complaints. Provided is the average of all responses.

Type of complaint	All respondents	NRAs	Members of the CPC Network	Consumer organisations	ADR entities	ISPs
Speed of connection	5.8	5.9	6.9	4.9	7.0	3.4
Interruptions in connection	5.8	5.9	7.1	5.3	5.1	4.8
Problems with other components	4.0	3.3	4.2	6.0	4.1	2.2
Download limit exceeded	3.2	3.3	4.3	3.4	3.6	0.8
Equipment/installation problems	3.2	3.3	2.8	3.7	2.9	3.0
Throttling or blocking	1.5	2.0	0.2	2.8	1.1	1.2
Problems with online features	1.5	1.9	2.0	1.2	1.1	1.2
Other technical issues	0.3	0.0	0.0	No answers	0.3	1.0
Overall category ranking (technical issues)	6.3	n.a.	6.3	7.5	5.8	6.0

As the table shows, for almost every technical issue, NRAs' average complaint intensity rating is substantially higher than that provided by the ISPs which responded to the stakeholder survey. This raises several questions. For instance, is it because of differences in the definitions or methods used to record complaints?¹⁷⁷ Are consumers unfairly complaining to ISPs because of consumer failure to understand the circumstances that influence connection speed (some beyond the control of ISPs) and the need for ISPs to apply 'throttling' to manage usage, e.g. during heavy peak usage periods? Or is the lower ISPs' rating due to ISPs playing down the level of problems/complaints? Or is it a genuine failure on the part of ISPs to recognize the extent of the problems that consumers are experiencing? In this last case, would ISPs also not adequately recognize the need to take necessary remedial action to address prevailing problems? In this context, we recognize that due to the limited industry response to the stakeholder survey, we can only raise these questions tentatively.

¹⁷⁷ In this context, the European Commission's initiative towards promoting a harmonised methodology for classifying and reporting consumer complaints is notable since this will enable better comparisons of consumer problems across the EU, once widely adopted. See Commission Recommendation on the use of a harmonised methodology for classifying and reporting consumer complaints and enquiries (2010/304/EU).

Broadband speed, interruptions, and 'throttling'

Broadband is a complex service, subject to a variety of technical factors, which cause actual speeds for individual users to vary, sometimes significantly. Actual broadband speeds depend on the individual user's circumstances in regard to a number of factors. Some an ISP can control, such as line length, the technology used, and levels of investment in network capacity. But there are other factors that it cannot control, such as the time of day, type of download, computer set-up, internal wiring, and the type and number of devices used. Thus, actual broadband speeds are highly dependent on the individual user's circumstances. Accordingly, it may not be possible to advertise one exact figure that all customers can expect to receive. This is especially the case for DSL and mobile services. These points are expanded upon in the following text box.

A product that is technologically and technically complex

A range of systemic drivers of consumer problems related to technical aspects of broadband Internet service provision is identifiable:

- Copper based technology is not designed for high speed Internet, with resulting limits to the performance of DSL connections;
- DSL connection speed is variable depending, e.g. on a household's distance from the exchange;
- Network capacity constraints may require 'throttling'/blocking and thereby generate dissatisfaction and complaints;
- Technical aspects and terms are difficult for consumers to understand, e.g. Mbps, download speed and limit (bits versus bytes), upload speed, contention ratio, ADSL, ADSL2+, VDSL, cable, optical fibre (FTTx), WiMax, etc.;
- Evolving networks and technology means there is an ongoing challenge of keeping information and staff up to date.

Also affecting broadband speed is the use of 'throttling' to manage heavy bandwidth use. According to one report 'throttling' is widespread and was detected in about 32% of worldwide tests.¹⁷⁸ In the UK, Ofcom's research indicated that more than one in four broadband consumers received slower speeds than they expected, with broadband speeds on average 35% below their off-peak highs.¹⁷⁹ This means that many consumers are disappointed and feel misled by ISPs that advertise 'up to' maximum broadband speeds that few users achieve. Such an advertising practice can lead consumers to choose an inappropriate or unsuitable broadband package. Until Next Generation networks, e.g. fibre networks, replace current systems, throttling is

¹⁷⁸ O'Brien, K.J. 2011. "Putting the Brakes on Web-Surfing Speeds", *New York Times*, 13 November.

¹⁷⁹ See: <http://www.bbc.co.uk/news/technology-15742055>.

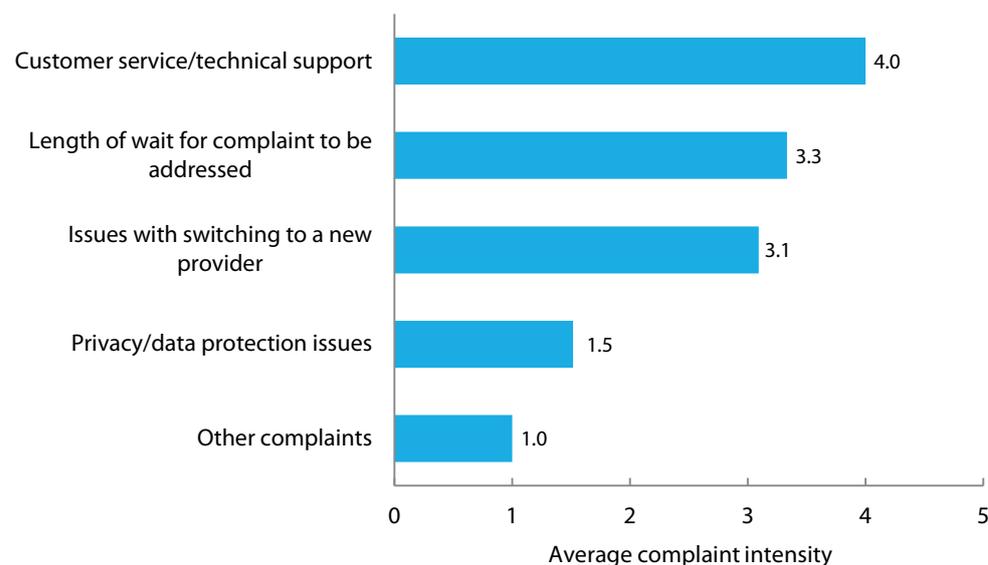
unlikely to abate and may increase. In this context, misleading information about the capabilities of existing networks can lower take-up of, and investment in, such high speed broadband services. For further analysis of 'up to' speeds as potentially misleading advertising please, see Section 7's analysis of potentially unfair commercial practices and contract terms.

8.3.3 Other problems and complaints

The figure below indicates the average complaint intensity ratings provided by stakeholder survey respondents in regard to 'other issues'. Overall, the organisations indicated that of the pre-defined issues, they receive the highest frequency of consumer complaints on customer service/technical support, followed closely by the related item, 'length of wait for a complaint to be addressed', and issues related to switching provider.

Figure 81. Other issues – Average of complaints intensity

Source: Civic Consulting stakeholder survey.
Note: 'complaints intensity' derived from stakeholder assessment: a '10' ranking indicates very frequent receipt of consumer complaints, while a '0' indicates no complaints. Provided is the average of all responses.



These top-ranked complaints and the problems they are based on are all discussed elsewhere in the report:

- ▶ Customer service is the focus of Section 9.1;
- ▶ A comprehensive discussion of switching, including barriers to changing provider, is undertaken in Section 6.

Additionally, the other item included in the figure above – 'privacy/data protection' – is discussed in detail in Section 8.5. Overall, though, neither the average complaint intensity ratings derived from the stakeholder survey nor the consumer survey results

suggest that privacy/data protection is a key source of consumer problems or complaints in the market.¹⁸⁰

8.3.4 Problems associated with mobile broadband

The use of mobile broadband has been increasing in recent years, particularly due to consumers' increased use of smartphones. In the stakeholder survey responding organisations were asked about specific consumer problems they have encountered in the mobile broadband market.¹⁸¹ National regulatory authorities provided a number of reasons that may explain the occurrence of consumer problems in this market:

- ▶ Transparency issues in mobile Internet access offers: download/upload speeds, traffic management, and other contractual limitations are bigger issues for mobile services than fixed broadband, and the information concerning these limitations is not always accurate;
- ▶ Mobile broadband providers do not adequately explain to consumers the difference in QoS issues between fixed and mobile broadband service;
- ▶ Understanding data limits/download allowances is difficult for some consumers;
- ▶ Coverage: customer complaints often relate to poor or non-existent coverage in a particular location, with connection speed dependent on access to particular technologies such as GPRS, EDGE, HSDA, UMTS;
- ▶ No opportunity to terminate an agreement if there is lack of coverage in the area in which the subscriber intends to use the service;
- ▶ Unique problems are generated by mobile broadband with regard to billing (e.g. bill shock generated by mobile data when travelling abroad, but also domestically);
- ▶ Other sources of billing-related problems may include smartphones that connect automatically to the Internet for updating data, “using WiFi and receiving a bill for mobile Internet anyway”; using mobile Internet and receiving a bill when mobile Internet is not included in the monthly fee.
- ▶ Some Internet services (e.g. VOIP, SKYPE) may be blocked or premiums may be charged for access;
- ▶ Lower than expected connection speeds (although this problem is common to both mobile and fixed line broadband).

Overall, 10 of the 18 national regulatory authorities that responded to the stakeholder survey question on whether there are specific consumer problems

¹⁸⁰ However, consumers might not necessarily know, for example, that their personal data has been misused by their ISP. Problems related to privacy and data protection issues might therefore be more prevalent than reported by consumers and stakeholders.

¹⁸¹ Civic Consulting stakeholder survey, Question: Are there specific consumer problems regarding the mobile provision of Internet?

regarding the mobile provision of Internet answered affirmatively. Just two reported that they are not aware of any specific consumer problems, while six did not know.

The problems associated with mobile broadband are not further explored in this study, which focuses on the fixed line broadband market.

8.4 BILLING

While the text above focused on a broad range of consumer problems and complaints, this section gives special attention to billing. Bills can be a subject of complaints for varying reasons. Unclear bills can make it difficult for customers to monitor and assess value for money of a service. Plus, consumer advocates argue that consumers should be able to receive adequate information in their bills that assists them to compare offers and, if appropriate, to switch. And, of course, bills should be free of errors. These issues are discussed in three main sections below. Section 8.4.1 focuses on attitudes to billing, as reported by consumer survey respondents and switching exercise participants; Section 8.4.2 reports on the incidence of billing errors and associated consumer complaints; and Section 8.4.3 discusses criteria, tools, and recent initiatives aimed at a clear and transparent billing process.

The key findings are that:

1. Eighty percent of respondents across the EU agree that their Internet bills are always correct, and a similar proportion finds them clear and easy to understand; 13% of respondents disagree that their bills are always correct, and 16% disagree that they are clear and easy to understand;
2. Consumer survey respondents across the four countries in the south of Europe (Greece, Italy, Portugal, and Spain) agree with the notion that their bills are always correct and that they are clear and easy to understand at a rate below the EU27 average; agreement rates are highest for both items among respondents from the EU12;
3. Better information is an essential aspect of improving billing; however, better information in bills does not necessarily equate to the inclusion of more information – billing is not only about information but also about the manner in which it is communicated (including design/layout, and whether online or paper billing is preferred);
4. Key criteria for easy-to-understand bills identified by switching exercise participants include: itemisation, a clearly stated billing period, the inclusion of the provider's contact details (particularly a phone number), the use of normal size text (i.e. no small print), and the exclusion of irrelevant or unnecessary information, as well as any advertisements.

8.4.1 Attitudes to billing

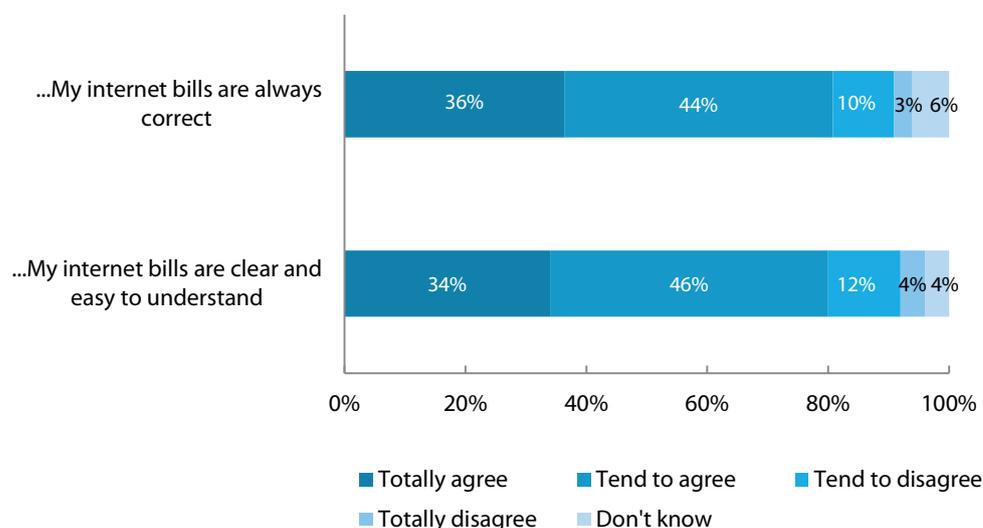
Clarity, understandability, and accuracy

The following sub-sections present the views of consumer survey respondents and then switching exercise participants on the clarity, understandability, and accuracy of their bills. In addition, the third sub-section summarises the existence/absence of billing-related regulatory and self-regulatory rules in the Member States.

To assess attitudes to Internet service providers' bills we asked consumer survey respondents whether they agreed or disagreed with a pair of statements about the bills they receive for their Internet service. At a rate of 80%, respondents across the EU agree that their Internet bills are always correct and clear and easy to understand. While the agreement of four fifths of the respondent sample with both statements is suggestive of generally correct and clear / understandable billing in the countries surveyed, it is worth noting that the percentage of respondents 'totally agreeing' that their bills are correct (36%) and clear and easy to understand (34%) is only slightly above one third. Overall, 13% of respondents disagree that their bills are always correct, and 16% disagree that they are clear and easy to understand, though again, smaller minorities 'totally disagree'.

Figure 82. Attitudes to Billing

Source: Consumer survey, Q25: Agreement with the statements: (1) 'My Internet bills are always correct, and (2) 'My Internet bills are clear and easy to understand' (N=27668 for EU27)



The results of our switching exercise in which participants actually switched their provider, are consistent with the consumer survey results presented above. That is to say, participants in the switching exercise appeared to generally consider their bills clear and understandable, though there were some exceptions, as well as some indications that consumers may not spend much time actually reviewing their bills.

In Bulgaria, only 5 of 14 participants received monthly bills, which were all considered to be very simple and easy to understand. The other participants did not receive bills because they have prepaid arrangements.

Similarly, participants in Germany, Spain, and the United Kingdom were generally of the opinion that bills are clear and understandable; and participants in Poland considered the bills to be much clearer than the offers. This overall positive assessment is illustrated in the comment of a participant in the United Kingdom (which does, however, suggest that billing may be more complex in relation to bundles than for standalone Internet connections):

"I think the billing is very clear, it's just when you're buying a package that you start to juggle a bit. I would say the billing information is very good" (one participant in the United Kingdom).

Participants in the United Kingdom reported that they rarely look at their actual bills, either in paper or online format, and largely check them by looking at their bank statement. These participants explained that they have an anticipated figure in mind and if the amount deducted fits in line with expectations, the bill is not consulted, as suggested by the following comments:

"I know what I signed up for with [provider] and that's what comes out every month. [...] It's the same every month and I know what I pay for" (one participant in the United Kingdom).

"It's all on the Internet on the email and they give you a list of the calls. It was all straightforward [with the old provider] and then it says, 'Discount because you're a [provider] customer, £5. Total will be collected on this date'. It was all very straightforward" (another participant in the United Kingdom).

Several participants in Spain however reported their concerns concerning the first bill from the new provider, as illustrated in the following comments:

"You have to pay close attention to the first bill because if not you can be charged for services that you are unaware you have requested" (one participant in Spain).

"The first bill with the new company arrived with a charge [...] that was titled 'lengthening of cabling'. I had known nothing about this so I disputed this and they have confirmed that they will reimburse me" (another participant in Spain).

Existing regulatory and self-regulatory rules

In regard to country-specific regulation on providers' billing practices, the stakeholder survey asked national regulatory authorities whether any relevant

regulatory and/or self-regulatory rules exist in their country.¹⁸² Of the 21 national regulatory authorities that responded to the question, 7 reported that billing is guided by regulatory rules (Italy, Latvia, Malta, Portugal, Slovenia, Slovakia, and Norway), 2 reported that both regulatory and self-regulatory rules are used (Ireland and the United Kingdom), 1 indicated that only self-regulatory rules exist (Hungary), 9 said there are no relevant rules in force (Belgium, Bulgaria, the Czech Republic, Lithuania, the Netherlands, Austria, Poland, Romania, and Sweden), and 2 did not know (Estonia and France). A few of the regulatory authorities' more detailed responses follow.

The Norwegian regulatory authority advised that unless otherwise agreed, providers of electronic communications services are permitted to offer subscribers non-itemised billing. However, at the request of subscribers, itemised bills must be provided and a "cost-oriented" charge may be levied for such itemisation. The Norwegian Post and Telecommunications Authority "may lay down more detailed guidelines on the itemisation of invoices, including a minimum level to be offered without extra charge".¹⁸³

In Portugal, under the Electronic Communications Law, as well as regulatory guidelines, contracts must provide information on the right of subscribers to receive detailed bills, where requested. Also, contracts must stipulate that bills will be sent on a monthly basis.

In the UK, providers of Public Electronic Communications Services are required (under Metering and Billing General Condition 10) to ensure they issue accurate bills to their consumers.

Impact on consumer switching behaviour

Information contained in bills and the way in which it is presented is important to consumer empowerment.¹⁸⁴ Adequate and relevant information contained in bills can help consumers to exercise efficient choice, search for better offers, and weigh the benefits and costs of switching. On the other hand, consumers who are confused about their bill may be less likely to participate in markets, and may lack the motivation and confidence to switch. Factors that influence switching behaviour receive detailed attention and analysis in Section 6.1 of this report.

¹⁸² Civic Consulting stakeholder survey, Question 11d: Are there any specific regulatory or self-regulatory rules regarding billing of Internet service provision?

¹⁸³ See <http://www.cullen-international.com/cullen/exdocs/xd1658.pdf>.

¹⁸⁴ See, for instance, TNS Opinion and Social (for European Commission). 2011. *Consumer empowerment*. Special Eurobarometer Report No 342. April. http://ec.europa.eu/consumers/consumer_empowerment/docs/report_eurobarometer_342_en.pdf. Research conducted by Ofcom is also relevant (Ofcom. 2012. *The Consumer Experience 2011*. Available at <http://stakeholders.ofcom.org.uk/market-data-research/market-data/consumer-experience-reports/consumer-experience/>).

8.4.2 Billing errors and complaints

Billing errors can occur in a number of ways, including:

- ▶ When there are unexpected charges, e.g. a user is charged for something other than what was originally ordered;
- ▶ When a charge is inadvertently included or omitted by a supplier; and
- ▶ When bills are incorrect, i.e. charges for provided items are based on incorrect rates or calculations.

Below, we identify the percentage of consumer survey respondents whose attitudes toward the correctness of their bills suggests that they have experienced errors such as those listed immediately above. Then we look at the relative intensity of different types of consumer complaints related to billing issues, as reported via the stakeholder survey. Finally, we take a closer look at unexpected charges ('bill shock') due to its identification as the billing issue that most frequently prompts consumer complaints.

Incidence of errors

As highlighted above in Figure 82, 13% of consumer survey respondents across the EU disagree with the statement that their Internet service provision bills are always correct, suggesting that they have experienced errors in their bills. An additional 6% of respondents report that they don't know whether their bills are always correct. In Table 55 below, we can see that respondents' attitudes on the correctness of their bills, a proxy for billing errors, do not vary substantially according to socio-demographic groups or Internet access/usage characteristics. In relation to age, older respondents are more likely than younger respondents to agree that their bills are always correct. Those with the slowest connection speeds (up to 2 Mbps) are also somewhat less positive in relation to bills being correct.

Table 55. Attitudes to billing, analysis by age, provider, connection speed, and type of Internet access

Source: Consumer survey, Q25. (N=27668 for EU27)

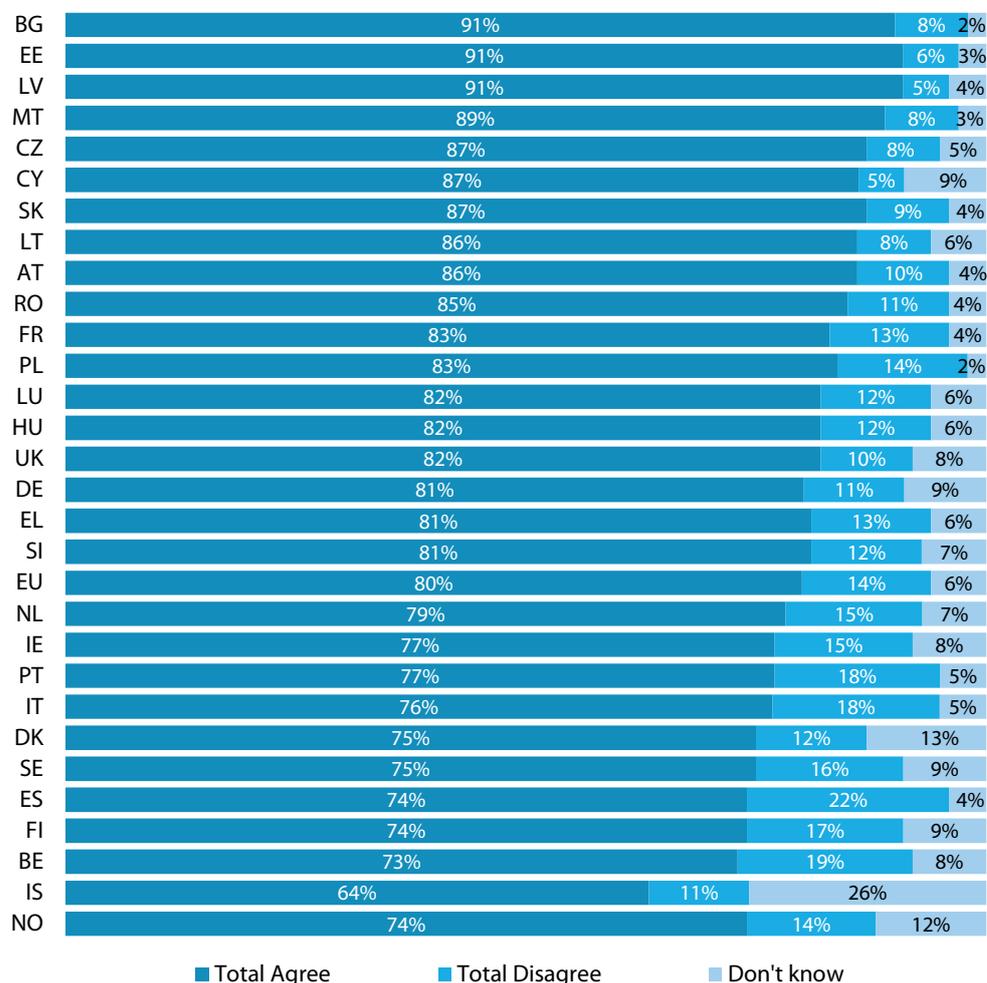
Note: Percentages in the table refer to respondents who answered 'Totally agree' or 'Tend to agree' to the question.

	Sub-sample	...My Internet bills are always correct	...My Internet bills are clear and easy to understand
Average	EU27	80%	80%
Age	15 to 24	73%	73%
	25 to 39	79%	79%
	40 to 54	81%	81%
	55 +	85%	84%
ISP	Incumbent	79%	77%
	Others	81%	81%
Speed	Up to 2 Mbps	74%	75%
	>2 to 12 Mbps	80%	80%
	>12 to 30 Mbps	82%	82%
	More than 30 Mbps	82%	81%
Access	DSL	81%	81%
	Cable	80%	80%
	Optical fibre (FTTx)	80%	78%
	Satellite	75%	77%
	Dongle/USB/Other	75%	77%

As the next figure indicates, the proportion of survey respondents whose attitude suggests that they have experienced billing errors is highest in Spain (22%), Belgium (19%), Italy (18%), and Portugal (18%). The most positive views are in Latvia, Bulgaria, and Estonia. In each of these three countries, 91% agree that their bills are always correct. Indeed, the eight countries with the highest percentage of respondents who agree that their bills are always correct are EU12 Member States.

Figure 83. Attitude to Internet bills being correct, analysis by country

Source: Consumer survey, Q25.
(N=27668 for EU27)



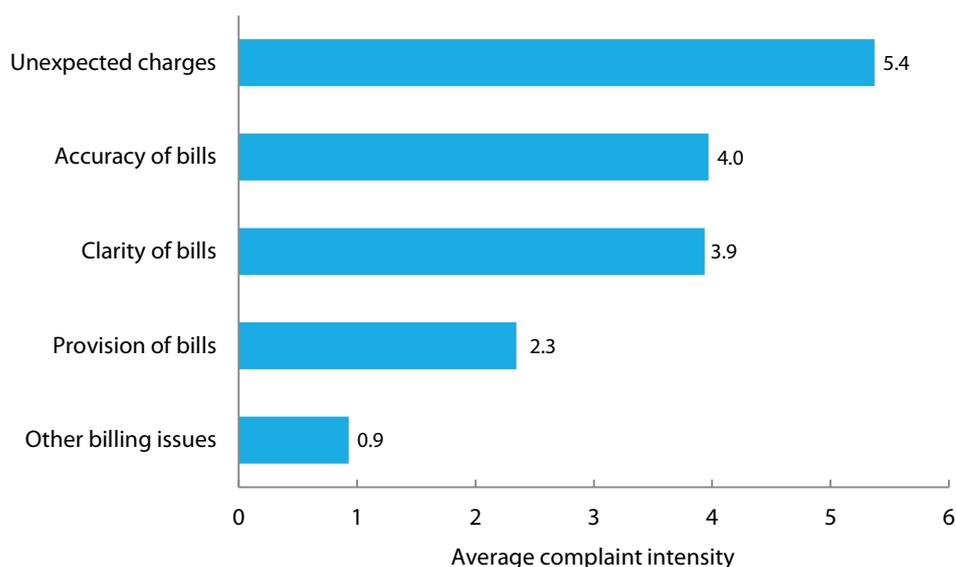
Billing-related consumer complaints

The figure below shows the average complaint intensity ratings in regard to billing issues, as reported by organisations that responded to our stakeholder survey.

Responding organisations rated each issue on a 0 to 10 scale and, as the figure indicates, unexpected charges are, on average, the billing-related issue for which the stakeholder organisations receive the highest frequency of consumer complaints (rating of 5.4). Issues related to bill accuracy prompt the second highest level of consumer complaints (4.0), according to the stakeholder organisations. This is closely followed by bill clarity (3.9). Less highly rated are issues linked to bill provision and 'other' billing issues.

Figure 84. Billing issues - Average of complaints intensity (all stakeholder survey respondents)

Source: Civic Consulting stakeholder survey.
Note: 'complaints intensity' derived from stakeholder assessment: a '10' ranking indicates very frequent receipt of consumer complaints, while a '0' indicates no complaints. Provided is the average of all responses.



Breaking down the average complaint intensity ratings by organisation type yields interesting insights, as shown in the next table. Overall, the average ratings do vary by type of stakeholder organisation, with Internet service providers providing noticeably lower ratings than the other stakeholders.

Interestingly, whereas national regulatory authorities, on average, rated bill accuracy as a more often complained about issue than bill clarity (4.5 to 3.8), members of the CPC Network and consumer organisations both, on average, did the reverse; indeed, the members of the CPC Network rated complaint intensity related to bill clarity at 6.6 compared to 5.0 for bill accuracy. This suggests that for some consumers an inability to read/comprehend their bills may outweigh concerns with their accuracy.

Table 56. Billing issues - Average of complaints intensity, analysis by stakeholder organisation type

Source: Civic Consulting stakeholder survey.
Note: 'complaints intensity' derived from stakeholder assessment: a '10' ranking indicates very frequent receipt of consumer complaints, while a '0' indicates no complaints. Provided is the average of all responses.

Type of complaint	All respondents	NRAs	Members of the CPC Network	Consumer organisations	ADR entities	ISPs
Unexpected charges	5.4	5.7	7.7	5.9	3.9	3.0
Accuracy of bills	4.0	4.5	5.0	3.6	3.1	3.6
Clarity of bills	3.9	3.8	6.6	4.2	2.8	3.0
Provision of bills	2.3	2.5	1.5	4.0	2.3	0.8
Other billing issues	0.9	0.3	0.0	3.3	0.3	0.3
Overall category ranking	5.4	n.a.	5.1	5.6	5.8	4.6

With the exception of the ISPs, all stakeholder organisation types rated their receipt of complaints related to unexpected charges in bills as substantially more frequent than for any of the other issues. Accordingly, we discuss unexpected charges in more detail in the next sub-section.

Unexpected charges ('bill shock')

Some consumers contact their provider because they cannot understand what they had been charged for, some because they think there has been an error, some because of 'bill shock' etc. Bill shock is the experience of a consumer either receiving a higher than expected bill or seeing their prepaid credit run down faster than expected. For some consumers, it is the difference between 'in-plan' costs and the costs incurred when the included value in the plan is exceeded that is difficult to follow. Even where consumers do understand that higher costs will be incurred when the included value of a plan is exceeded, they can still receive higher than expected bills because it is not easy to monitor when a cap has been exceeded.

Based on the results of the evaluation of provider websites presented above in Section 4.1.3 of this report, it is easy to see how bill shock can develop. As seen in Figure 23, when assessed by mystery shoppers on the overall clarity of price information, less than two thirds (61%) of ISP websites were seen as providing clear and understandable price information in their offers, with mystery shoppers 'strongly agreeing' with this notion for only 27% of provider websites. If price information is unclear at the time of purchase, subsequent bills may shock consumers.

A stakeholder interview with an expert from a regulator brings up another key point in regard to bill shock, namely that the number of services included in bundle packages can cause confusion:

"For instance, when you are considering bundles it can happen that the consumer receives billing for services he did not request. For example an antivirus programme which they have not requested. Or, after the switching process it can happen that he receives billing from the new provider and the losing provider. Sometimes the consumer does not understand all the items that are included in the bill. Or he started services at a certain date and the bill refers to another date. Or the consumer was without service for a week or so, and the bill has also included the time where the consumer was without service. So there are a number of issues which can be encompassed in incorrect billing".

For many consumers, resolving billing issues is time consuming and costly, particularly if a disputed charge or query about a billing matter results in their service being suspended. For some consumers, including vulnerable, disadvantaged, and disabled consumers, unresolved issues – particularly where billing is involved – can

quickly escalate into more serious matters. For example, the financial detriment associated with bill shock can be particularly grave to vulnerable and disadvantaged customers. There are also non-quantifiable costs associated with bill shock, including the stress and emotional impact. As inexperienced consumers, young people may be particularly impacted. In such cases, quick and easy access to effective internal and, if needed, external dispute resolution processes is important (these processes are discussed in Section 9.3).

8.4.3 Criteria and tools for transparent and understandable bills

The first sub-section below presents criteria for ideal bills in the market for Internet access and provision. The following sub-section identifies recent initiatives and tools aimed at making the billing process easier and more transparent for consumers.

Better (not necessarily more) information

Better information is an essential aspect of improving billing. However, better information in bills does not necessarily equate to the inclusion of more information. In seeking to improve billing, there are a range of issues to be considered, including:

- ▶ The necessary bill frequency;
- ▶ How much information is good information?;
- ▶ What is essential information required by consumers?;
- ▶ Where and how prominently should this information appear on the bill?;
- ▶ How to create bills that will enhance consumers understanding of how to use information in the bill?

In short, billing is not only about information (and the extent of it) but also about communication and design/layout, including whether online or paper billing is preferable.

The information provided by participants in the switching exercise is applicable to the development of criteria for clear, transparent, and accurate bills. In their focus group discussions, participants focused particularly on the presentation of price, billing periods, and customer service contact details, as explained below.

- ▶ *Price.* Participants generally considered it important that the provider provides an itemised bill. In Bulgaria, some ISPs offer one month free, if three monthly payments are made in advance. Others offer two months free, if ten months are paid in advance. Participants in this country indicated that they would appreciate it if this type of information was presented in the bills;
- ▶ *Billing period.* Participants in Germany, Poland, and Spain indicated that the billing period should be clearly stated. Participants in Bulgaria considered that stating a period as "5 January – 4 February " is better than only "January";

- ▶ *Contact details of customer service.* Participants in Germany, Poland, and Spain were of the opinion that bills should clearly display contact details of the provider, in particular a phone number;
- ▶ *Other aspects.* Participants in Poland considered that information should not be provided in small print and that bills should only present relevant information and no advertisement. According to participants in Bulgaria, bills should also contain clear information about the possible means of payment accepted by the ISP.

Expenditure/usage management tools

In many cases, problems with high bills result because consumers did not understand the charging arrangements for their product at the time of purchase. This can occur when arrangements for charging and billing are complex and/or where advertising and product information do not clarify consumers' understanding of these arrangements. Key problems include:

A lack of consumer understanding of the basis upon which charges are levied

Measures such as disclosure requirements and price comparison mechanisms can be helpful in addressing this issue;

A lack of consumer understanding about the rate at which those charges accumulate

In part this issue results from service providers often not making it easy to understand the rates at which charges accumulate. For instance, some consumers are unable to easily check their usage between bills. Some providers do have facilities that allow customers to check usage online but this is not always user-friendly. In any case, behavioural economics research suggests that up-to-date information on usage is best 'pushed' out to consumers, who are inclined to discount the consequences of a high bill in the future unless it is brought into their present.¹⁸⁵

Recent initiatives

A number of regulators are grappling with problems related to billing practices, and specifically 'bill shock', for example:

- ▶ The US Federal Communications Commission (FCC) released a Notice of Proposed Rulemaking outlining rules that would require mobile service

¹⁸⁵ Xavier, P. 2011. *Behavioural economics and customer complaints in communication markets*. Available at http://engage.acma.gov.au/reconnecting/wp-content/uploads/2011/05/Behavioural_Econ_and_Customer_complaints_research-report_FINAL.pdf.

providers to provide usage alerts and information to help consumers avoid unexpected charges on their bills;¹⁸⁶

- ▶ The European Union has already mandated that providers send automatic alerts to advise consumers when they are approaching the maximum financial and/or volume limits for their outstanding charges for data roaming services and automatic warnings when they are about to incur roaming charges;¹⁸⁷
- ▶ In September 2009, the Australian Government published its response to the House of Representatives Standing Committee on Communications' report, *Phoning home: Inquiry into international mobile roaming*.¹⁸⁸ One recommendation was that a minimum standard for consumer information and awareness of roaming and potential costs be developed and incorporated into a revised Telecommunications Consumer Protection Code;
- ▶ ComReg in Ireland has developed a Bill Presentation Standard in association with EIQA (Excellence Ireland Quality Association).¹⁸⁹ The purpose of the standard is to encourage all service providers to provide clear, unambiguous, and accurate bills. This voluntary standard provides objective criteria against which the overall presentation and clarity of billing information provided to consumers can be assessed;
- ▶ The European Commission's Good Practice Guidance for Billing in the electricity and gas markets¹⁹⁰ is being adopted in a number of countries and is a reference point for the consideration of good billing practices in the Internet service provision market.¹⁹¹

¹⁸⁶ FCC. 2010. *Notice of Proposed Rulemaking, Empowering consumers to avoid Bill shock – consumer information and disclosure*, 14 October. See also—FCC White Paper on Bill Shock, 13 October 2010.

¹⁸⁷ See Regulation (EC) No. 544/2009 of the European Parliament and of the Council of 18 June 2009. Also see Article 6, 'Transparency of retail charges', p. L 171/38 Regulation (EC) No. 717/2007 of the European Parliament and of the Council of 27 June 2007 on roaming on public telephone networks within the community and amending directive 2002/21/EC.

¹⁸⁸ Department of Broadband, Communications and the Digital Economy. 2009. *Government Statement of Response – Phoning home: Inquiry into international mobile roaming*.

¹⁸⁹ Bill Presentation Standard for Telecommunications Service Providers. 31 December. Available at http://www.comreg.ie/_fileupload/publications/Final_Bill_Presentation_Standard_Dec_08.pdf.

¹⁹⁰ European Commission. 2009. *Working Group on Billing: Good Practice Guidance for Billing*. DG SANCO. Available at http://ec.europa.eu/energy/gas_electricity/doc/forum_citizen_energy/2009_09_29_citizens_energy_forum_reports_and_materials.zip.

¹⁹¹ See Annex 1 in ERGEG. 2010. *Implementation of EC Good Practice Guidance for Billing. ERGEG Status Review*. Ref: E10-CEM-36-03.8 September. The guiding principles were also referred to and reproduced as Annex 3 in Council of European Energy Regulators. 2011. *Retail market design, with a focus on supplier switching and billing. Draft Guidelines of Good Practice. A CEER Public Consultation Paper* Ref: C11-RMF-31-05. 05 July 2011.

8.5 PROTECTION OF PRIVACY

This section looks at consumer concerns related to the protection of privacy in the market for Internet access and provision. It refers only to the information given (or collected) by the Internet service provider – not to other privacy issues arising from the use of various services on the Internet.

The key findings are that:

1. Information provided by ISPs regarding their privacy and data protection practices is not generally considered very clear or transparent; nonetheless, a majority of consumer survey respondents agree that their own ISP uses their personal data responsibly;
2. Three percent of consumer survey respondents report problems with misuse of their personal data by their Internet service provider, which is significantly lower than the percentage reporting technical problems such as connection speed issues and connection interruptions; however, in absolute terms this suggests a significant number of consumers may be affected by misuse of their private data;
3. A low number of complaints and dispute cases related to privacy issues were reported by regulatory authorities and ADR entities through our stakeholder survey; this may be due to low consumer awareness both of their rights and of where to complain and seek redress, and some affected consumers may never become aware of situations in which their personal data is misused.

8.5.1 Clarity of information and trust in providers

Internet service providers (ISPs) have a contractual relationship with consumers. Accordingly, they are data controllers and have to respect all of the relevant EU legislation linked to privacy and data protection – as transposed into individual Member State legislation. In the case of ISPs, this includes the General Data Protection Directive,¹⁹² the revised E-Privacy Directive¹⁹³ (now called the Citizens' Rights Directive), and the Data Retention Directive.¹⁹⁴

Internet service providers (ISPs) would normally communicate their data protection conformity practices to consumers via their privacy policy documents. These may be

¹⁹² Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data. This is being revised through a new draft Regulation on data protection, which is currently being considered in the European Parliament.

¹⁹³ Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications), as amended by Directive 2009/136/EC ("Citizens' Rights Directive"). The deadline for implementation for the revised e-privacy Directive was May 2011.

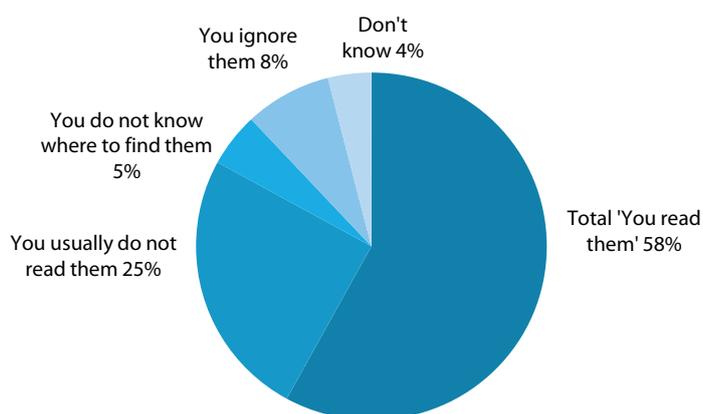
¹⁹⁴ Directive 2006/24/EC on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks.

standalone documents or form part of the general Terms and Conditions of the contract. It was not within the scope of this study to analyse such policies, or ISP conformity to existing regulations.

A 2011 pan-European survey found that over half of Internet users surveyed (58%) do read such privacy policies (though the question related to the Internet as a whole rather than only to consumer contracts with broadband providers). However, well over a third of respondents reported reading such policies rarely or not at all (38%), which makes the situation less optimistic than at first glance. As other studies have also shown, this situation is partly due to the length and complex legal language of these policies and partly to the fact that they are difficult to locate on companies' websites. In the case of ISPs, since privacy policies form part of a contract that consumers sign with the provider, the meaningful time to read such policies is when consumers are searching for and choosing a provider.

Figure 85. Reading privacy statements on the Internet

Source: Special Eurobarometer 359, Attitudes on Data Protection and Electronic Identity in the European Union, June 2011, QB18 (N= Internet users; 66% of the whole sample)

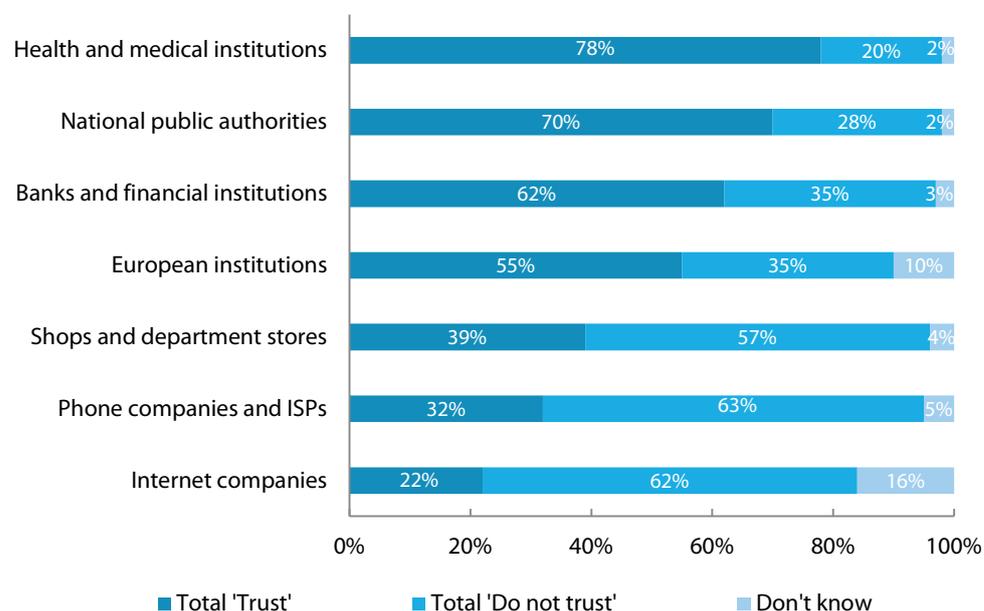


Further, the same survey assessed consumer expectations and trust in organisations holding their personal data. Those findings reveal that communications service providers, including Internet service providers, come near the bottom of the list in terms of trust: almost two thirds of consumers surveyed said they do not trust them.

Figure 86. Trust in institutions and companies

Source: Special Eurobarometer 359, Attitudes on Data Protection and Electronic Identity in the European Union, June 2011, QB25 (N=whole sample)

Note: 'Internet companies' include for example search engines, social networking sites, email services.



Further examinations of the figures in the survey reveal that considerably fewer of the respondents who do not trust Internet companies (50%) had been informed about the conditions for the data collection and the further uses of their data, compared to those who do have trust in these companies (64% were informed).¹⁹⁵

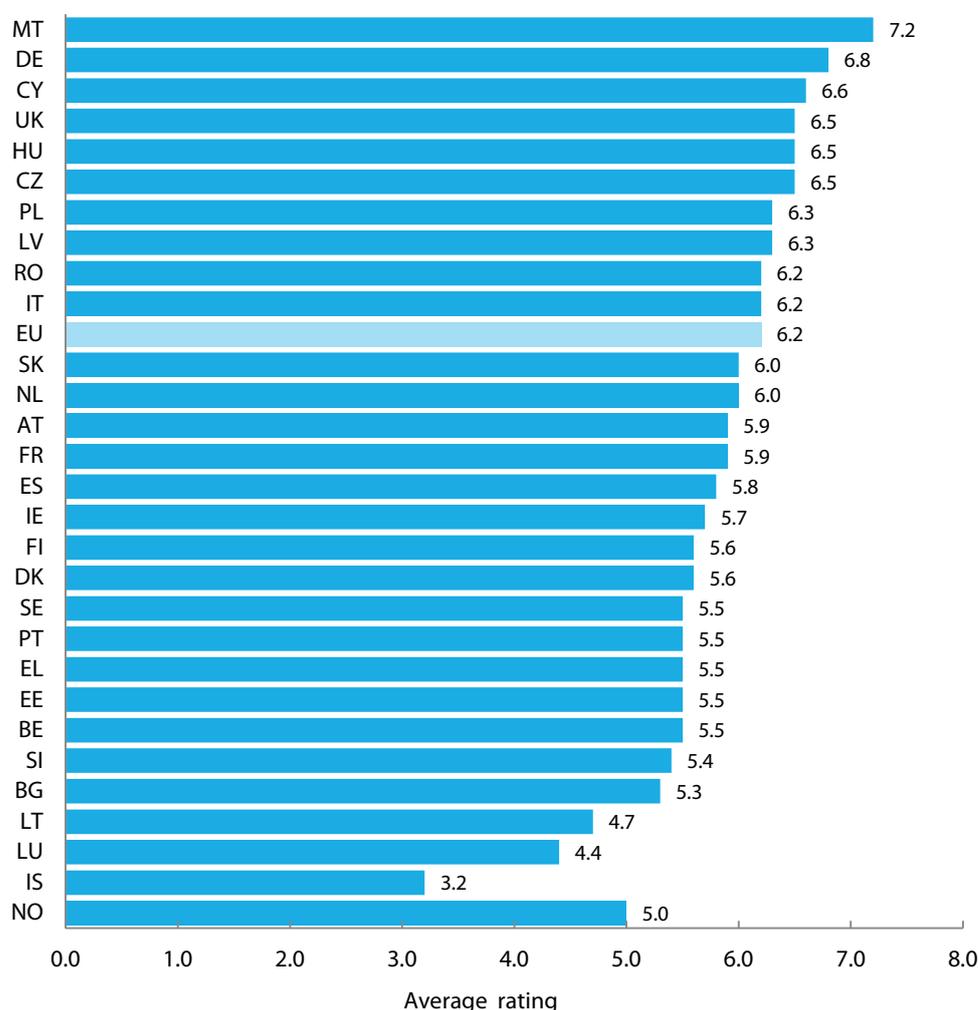
These findings largely coalesce with those of our consumer survey: respondents to our survey who have compared different offers in the last 12 months were asked how clear the information was on different aspects of the offers, including the use of personal data and bank details by the provider. As shown in Figure 10, Section 4.1, this aspect of the provider terms is rated third lowest for information clarity (6.2 out of maximum 10).

Looking at individual countries, consumer survey respondents in Luxembourg and Lithuania were least impressed with regard to the clarity of the information pertaining to use of personal data by their provider (4.4 and 4.7, respectively). Consumers in several other countries were only slightly more positive. The average rating was exceeded by consumers in Malta who rated this aspect highest of all the countries (7.2 out of 10), while respondents in Germany provided the second most positive rating regarding this aspect of clarity (6.8 out of 10).

¹⁹⁵ Eurobarometer 359, p. 139.

Figure 87. Clarity of information concerning the use of personal data/bank details by provider, analysis by country (average rating)

Source: Consumer survey, Q20: When you last compared offers from Internet service providers, how clear was the information provided on each of the following aspects? Please consider each item below, and rank how clear it was from 0 (Not at all clear) to 10 (Very clear). (N=17253 for EU27).
Note: The figure shows the average rating given by respondents for the item "Use of personal data/bank details by provider".



Despite this perception of relatively unclear information on privacy terms, a majority of consumer survey respondents (65%) agree that their ISPs use their personal data and bank details responsibly.¹⁹⁶ This finding would appear to contradict the findings of the earlier survey regarding trust in companies (see Figure 86 above); however, the question in the consumer survey carried out for this study refers specifically to the consumers' own Internet service provider, rather than generically to all such companies (as the earlier survey does). This suggests that consumers may place greater trust in the companies they have chosen to have a contractual relationship with.

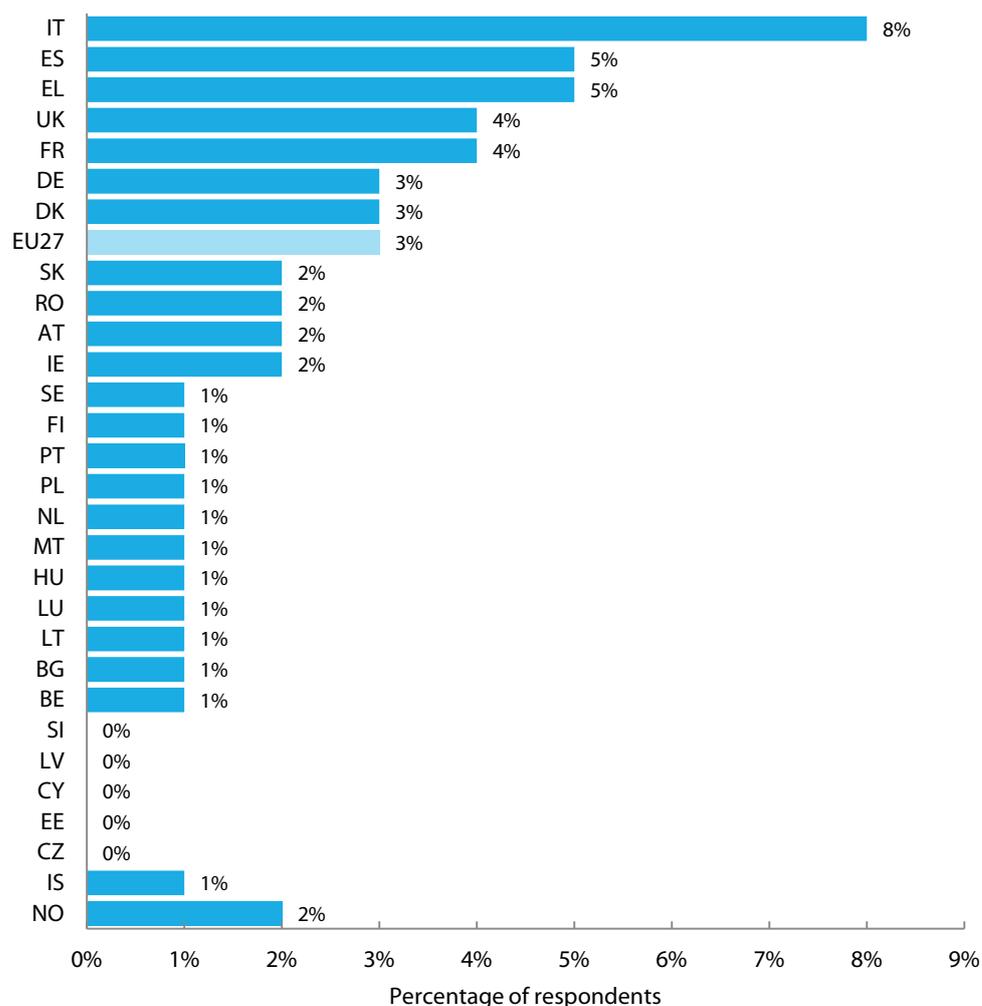
¹⁹⁶ Consumer survey, Q25: Please indicate your level of agreement with the statement '...my Internet provider uses my data/bank details responsibly'.

8.5.2 Problems experienced

Only a very small proportion of consumer survey respondents who reported having a problem(s) with their Internet service provider in the past year (3%) report problems with misuse of personal information (as seen in the following figure).

Figure 88. Misuse of personal data/bank details, analysis by country

Source: Consumer survey, Q27: Have you experienced any of the following problems? (N=10109 for EU27). Note: The figure shows the percentage of respondents who chose the option 'My provider misused my personal data/bank details'.



There are no reports of such misuse of personal details from respondents to our consumer survey in several of the EU12 Member States: the Czech Republic, Estonia, Latvia, Slovenia, and Cyprus. The highest reported incidence is from Italy (8% of respondents say their personal details were misused by their provider), followed by Greece and Spain (5% of respondents). Interestingly, problems with blocking/slowing down of certain Internet services are reported as having quite a high incidence, with almost a quarter (22%) of all respondents affected. Although commonly described as technical issues, they have quite important privacy implications. This is because in order to manage traffic, providers may use monitoring and filtering techniques, such as deep packet inspection, that can have serious privacy and data protection

implications.¹⁹⁷ However, this is an issue that few consumers would have the knowledge and awareness to report as a personal data confidentiality infringement, and as seen from other sections of this report, providers may not be necessarily clear or transparent about their traffic management practices.

A similar picture of low incidence of consumer problems connected with ISPs' safeguarding of their personal data emerges when we examine the responses to our stakeholder survey on consumer complaints. Of the 11 relevant responses from national regulatory authorities, only Ofcom, the UK telecommunications regulator, reports a relatively high incidence of complaints about privacy/data protection issues. Two other authorities (Italy and Romania) report a moderate number of privacy-related complaints, while six others report no such complaints or very few. The average complaint intensity ratings (from all responding stakeholder organisations) can be seen in the table below.

Table 57. Other issues – Mean of complaint intensity ratings

Source: Stakeholder survey, Q13b (NRAs), Q3b (Members of the CPC Network), Q3c (consumer organisations and ADR entities), Q12c (ISPs).

Type of complaint	All respondents	NRAs	Members of the CPC network	Consumer organisations	ADR entities	ISPs
Overall category ranking	3.8	n.a.	6.3	4.3	3.3	0.8
Customer service/technical support	4.0	3.9	5.0	5.1	3.0	2.8
Length of wait for complaint to be addressed by ISP	3.3	3.9	3.2	5.5	2.4	1.0
Issues with switching to a new provider	3.1	4.6	1.4	4.5	2.0	1.3
Privacy/data protection issues	1.5	2.7	1.2	1.6	1.0	0.4
Other complaints	1.0	0.0	3.3	No answers	0.3	0.0

Even fewer cases related to data protection are mentioned by ADR entities. Of the 8 ADR entities responding to the same complaints intensity question, half report no privacy related cases at all, and only one ADR provider in Portugal reports a moderate number of cases brought to it by consumers.

¹⁹⁷ Opinion of the Data Protection Supervisor on net neutrality, traffic management and the protection of privacy and personal data, October 2011, [http://ec.europa.eu/bepa/european-group-ethics/docs/activities/peter_hustinx_presentation_\(1\)_15_rt_2011.pdf](http://ec.europa.eu/bepa/european-group-ethics/docs/activities/peter_hustinx_presentation_(1)_15_rt_2011.pdf)

8.6 ESTIMATED MONETARY DETRIMENT TO CONSUMERS

This section provides the results of an estimation of consumer detriment in the Internet service provision market. We first present the concept of consumer detriment, and then review previous efforts to estimate it. This is followed by an explanation of our approach for estimating consumer detriment, and then presenting the results of the analysis.

Key finding of this section are:

1. As a result of problems experienced with their Internet provider, consumers may suffer detriment because they cannot access and use their Internet service in a way that meets their reasonable expectations, and/or because they spend time solving problems. This study provides a quantitative estimate of both these elements of consumer detriment;
2. The approach used is to effectively take a one-year 'snapshot' of the percentage of households experiencing problems and the personal time spent trying to solve them, plus the connection downtime that resulted. Detriment experienced is valued in the following way: A day of Internet connection lost is valued at 1/30th of the average monthly price of the connection. The consumer detriment associated with the time spent on solving problems with the ISP is assessed by using estimates of the time lost to solve problems, and by applying a value to this time 'forgone';
3. In regard to consumers subscribing to standalone Internet access our estimate of annual detriment is between 122.1 million Euro and 368.5 million Euro for the EU27. For consumers subscribing to bundles, annual detriment is estimated at between 1,239.0 million Euro and 3,528.0 million Euro. The total annual consumer detriment is estimated at between 1,361.1 million Euro and 3,896.5 million Euro;
4. This one-year estimate is conservative since the interruption of an Internet connection due to problems experienced can lead to other costs, which we have not considered (such as the costs consumers may bear for alternative access to the Internet). Finally, we have not considered the distress arising from problems and the efforts to solve them, which is an important - but difficult to quantify - component of consumer detriment.

8.6.1 What is consumer detriment?

Consumer detriment is a measure of the losses suffered by consumers as a result of unsatisfactory purchases of Internet services and the problems subsequently experienced. Ways in which consumer detriment may occur include:

- ▶ Consumers not buying the service at the cheapest price available to them; or

- ▶ Consumers not buying the most appropriate service, given their tastes and preferences; or
- ▶ Consumers purchasing a service which proves not to be of the quality they expected.

Identifying and measuring the nature and magnitude of consumer detriment (how, the number of, and extent to which consumers are being harmed) is an important component of evidence-based policy making. Elements of consumer detriment can include both financial and non-financial impacts, such as direct financial losses, time loss, stress, and physical injury. Quantification and valuation of consumer detriment is often difficult, but efforts to estimate detriment must be made even when only a rough 'indicative' or 'illustrative' valuation of the magnitude of detriment can be arrived at, or even when it is only possible to assess detriment in a qualitative manner. At very least these efforts to assess consumer detriment will result in a better understanding of the nature and/or source of consumer problems in a market.

In regard to the Internet access and service market, sources of consumer detriment include:

- ▶ Detriment due to consumers paying more than necessary (e.g., due to difficulty in assessing the best offer);
- ▶ Detriment due to unclear and incorrect bills (in our survey, 19% disagreed that Internet bills were always correct);
- ▶ Detriment due to 'slamming' practices when consumers are switched to another service provider without their consent;
- ▶ Detriment due to misleading advertising;
- ▶ Detriment due to poor internal complaints handling;
- ▶ Detriment due to poor external complaint handling (ADR).

The scope of consumer detriment assessment depends on what considerations are to be included.

1. What types of financial and non-financial detriment are consumers experiencing as a result of unsolved problems?
2. How large/significant is the detriment (in quantitative and qualitative terms)?
3. How does the problem impact on different social/economic groups? Is there a heavier impact on vulnerable and disadvantaged groups?
4. How is the detriment likely to evolve over time i.e., is the detriment likely to increase or decrease over time. If it is expected to worsen, it may strengthen the case for intervention. How long will it take for any changes to occur?
5. Is substantial detriment likely to occur to parties/stakeholders other than consumers e.g. ISPs, other firms, regulators, the ICT sector, economy?
6. What are the economic, social, and political consequences of taking no action?

7. Does the level of detriment justify exploring possible policy measures?¹⁹⁸

The primary objective in this study is to evaluate consumer detriment and its overall impact on consumers with a macro perspective. Although there might be policy interest in the incidence and spread of detriment in terms of impacts on demographic subgroups, including disadvantaged and vulnerable consumers, this was out of the scope of this study, and will require further future research.

8.6.2 Previous efforts to estimate consumer detriment

We begin with a brief review of previous work because we draw on this work to develop our approach to estimating consumer detriment.

In its study for the UK Office of Fair Trading,¹⁹⁹ London Economics (1997) concluded that there is no simple practical method for measuring the size of detriment finding that the best approach to measurement is probably based on some form of cost benefit analysis. However, several potential problems are noted. First, there are measurement problems including those relating to the measurement of financial and non-financial consumer detriment. Second, consumer detriment may vary between different groups of individuals. Indeed, while some consumers experience detriment, some consumers could experience gain (e.g., subsidized modems) and it would be necessary to consider 'distributional effects' (who gains, who loses?) and the valuation and summation of measures of detriment and gain on different groups of consumers. Finally, there is the question of whether and, if so, how the cost to suppliers and regulators should be considered.

The study for DG SANCO by Europe Economics (2007) pointed out that there could be 'structural detriment' as distinct from 'personal detriment'. The study concluded that the best method of measuring the existing level of consumer detriment is through a survey of consumers that asks consumers directly if they had experienced problems

¹⁹⁸ For instance, the OECD Toolkit (2010) suggests that the decision as to whether to intervene or not should consider a number of questions:

What is the scale of consumer detriment? An intervention may be warranted if the detriment is small, but felt by a large number of consumers, or alternatively, if the detriment experienced even by a small group of consumers is very large.

Who is experiencing the consumer detriment? For example, disproportionate impacts on certain groups, such as children, the elderly, or the vulnerable/socially disadvantaged, should be considered.

What is the anticipated duration of the consumer detriment? How the detriment is likely to change over time should be evaluated.

What are the likely consequences of taking no policy action? The political, social, and economic consequences of taking no policy action should be considered.

Are there other substantial costs to the economy? Is the consumer problem creating detriment for other stakeholders? Is it, for example, distorting competition among firms?

¹⁹⁹ London Economics. 1997. *Consumer Detriment under Conditions of Imperfect Information*, prepared for the UK Office of Fair Trading. August. Available at http://www.offt.gov.uk/shared_offt/reports/consumer_protection/oft194.pdf

with any goods and services they have purchased and to quantify the costs caused by these problems.²⁰⁰ We adopted elements of this approach.

According to a recent European Commission Staff Working Paper,²⁰¹ more than a fifth of consumers reported experiencing a problem, and on average more than one problem (1.6). The financial losses were limited in an individual perspective (33% of the problems did not give rise to any financial loss, a further 40% were under 200 Euro and 8% between 200 Euro and 500 Euro). However, there were a small number of much bigger reported losses, so that the average loss was 375 Euro and the total ex-post detriment European consumers were estimated to have incurred amounted to about 0.4% of European Union GDP. This estimate provides an idea of the potential welfare and efficiency gains that could be achieved through remedial measures and greater consumer empowerment.

In regard to consumer detriment relating specifically to Internet service, Ofcom's work is noteworthy.

Ofcom's estimate of consumer detriment due to slamming

Ofcom has estimated consumer detriment due to slamming by estimating the cost of time to consumers in dealing with slamming.²⁰² As part of its research into slamming in 2011, Ofcom asked consumers how long they spent actively dealing with slamming. For those consumers who could remember, the average time spent dealing with the issue was 87 minutes (the time taken ranged from up to 15 minutes to more than 10 hours). However, because only 31 respondents were able to estimate the time taken to deal with the issue it is possible that the average could be skewed by outliers. The median time taken is in the range 16-29 minutes but is quite close to the next band (30-59 minutes). Ofcom assumed that the average time taken is around 30 minutes per slam – close to the median - which was considered to be a relatively conservative approach. Moreover, Ofcom assumed that each household deals with slamming in their leisure (non-working) time using a value of time of 5.97 British Pounds per hour. This was conservative because some consumers would try to address problems during work time which has a much higher opportunity cost (30 British Pounds or 36 Euro). Also, Ofcom did not attempt to quantify consumer harm caused by the distress arising from slamming.

Ofcom assumed that it takes 30 minutes for the consumer to deal with the slam. This time comprises: 1) time spent on hold before the consumer talks to the ISP; 2) time spent reading correspondence from ISPs; and 3) (in some cases) time spent making

²⁰⁰ Europe Economics. 2007. An analysis of the issue of consumer detriment and the most appropriate methodologies to estimate it. Final Report for DG SANCO.

²⁰¹ European Commission. 2011. *Consumer Empowerment in the EU*, Commission Staff Working Paper, Brussels, 07.04.2011, SEC(2011) 469 final. Available at http://ec.europa.eu/consumers/consumer_empowerment/docs/swd_consumer_empowerment_eu_en.pdf

²⁰² Ofcom. 2012. *Consumer switching*. A consultation on proposals to change the processes for switching fixed voice and broadband providers on the Openreach copper network.

complaints e.g. the regulator or alternative dispute resolution (ADR) e.g., Ombudsman services.

Based on 520,000 slamming incidents per year Ofcom estimated consumers' time cost in dealing with deliberate slamming at around 1.6 million British Pounds per year.²⁰³

8.6.3 Estimating consumer detriment in the Internet provision market

As noted earlier, problems experienced by consumers as identified in our survey include:

- ▶ Interruptions in Internet connection;
- ▶ Speed of Internet connection (slower than it should be);
- ▶ Poor customer service;
- ▶ Unclear bill;
- ▶ Bill with errors;
- ▶ Slamming;
- ▶ Blocking/throttling (slowing down) of certain Internet services (e.g. video streaming, Internet telephony, etc.);
- ▶ Misuse of personal data/bank details by provider;
- ▶ Problems with other services included in package (TV, fixed phone, etc.);
- ▶ Problems with additional online features provided (email/online storage/personal website, etc.);
- ▶ Long wait time for service to be repaired.

As a result of such problems experienced with their Internet provider, consumers may suffer detriment because: (1) they cannot access and use their Internet service in a way that meets their reasonable expectations; and/or (2) because they spend time solving problems. We provide a quantitative estimate of both these elements of consumer detriment. Certain aspects of the methodology have to be considered when interpreting the results:

- ▶ The assessment of the detriment associated with the lack of Internet access for consumers (point 1 above) is based on estimates reported by respondents to the consumer survey on the amount of time that they spent without

²⁰³ Ofcom makes the point that ISPs also incur costs in dealing with slamming. Costs arise because ISPs need to take steps to rectify slams (i.e. reinstate consumers when they have been slammed). Ofcom used information provided informally by some ISPs to provide an illustrative estimate of the costs Communications Provider (CPs) incur to deal with slamming. Using the information provided by ISPs Ofcom estimated that it takes around 20 minutes to deal with a customer who has been slammed (i.e. discussion between the customer service agent (CSA) and the customer, and placing the order to get the customer switched back to the correct provider). Ofcom assumed that the average cost of a CSA is around £20 per hour thus the CSA cost to deal with the slam is estimated at £6.6 per case. There is also a wholesale charge incurred to move the line back to the original provider. We have estimated the weighted average wholesale charge at £32.1. We estimate that the total CP cost to deal with each slam is around £38.7.

Internet access during the last 12 months as a result of these problems. Detriment experienced is valued in the following way: A day of Internet connection lost is valued at 1/30th of the average monthly price of the connection. This implies a conservative estimate as other costs incurred, such as the costs consumers may bear for alternative access to the Internet, e.g. by using the services of an Internet café or a paid WiFi hotspot, are not considered.²⁰⁴

- ▶ The consumer detriment associated with the time spent on solving problems with the ISP (point 2 above) is assessed by using estimates of the time lost to solve problems, as reported by respondents to the consumer survey, and by applying a value to this time 'forgone'.
- ▶ Data on problems experienced and time spent by consumers on solving problems obtained through consumer responses cannot be independently verified and may be subject to over – or under – reporting. However, whenever possible we have carefully compared the results obtained through our survey with the results of other Eurobarometer surveys²⁰⁵ and have found a considerable level of consistency with earlier research.

The main data sources for the detriment assessment are presented in the table below.

Table 58. Data requirements and data sources for the assessment of consumer detriment

Source: Civic Consulting

Data requirements	Data sources
Time spent solving problems by consumers	Consumer survey data
Value associated with time loss due to problems with Internet access and provision	Desk research, Eurostat
Amount of time consumers could not use their Internet connection due to the problems experienced	Consumer survey data
Price paid by consumers for their Internet connection	Consumer survey data
Number of households with Internet access	Eurostat

The results of the consumer survey allowed us to identify the number of respondents who experienced problems with their ISP, the time that they spent to fix these problems, and the amount of time that they spent without Internet access due to these problems. We estimated the detriment on the basis of average values reported by consumers, differentiating households with standalone Internet access and those with bundles.

²⁰⁴ Additionally, this may be a conservative estimate for another reason: in choosing an Internet service provision product a rational consumer would presumably select a service for which her or his derived marginal utility outweighs the marginal cost.

²⁰⁵ See, for example, European Commission. 2011. Special Eurobarometer 342 — Consumer Empowerment.

Time spent by consumers to deal with problem

From what consumers reported in our survey, we estimated time spent dealing with problems.²⁰⁶ Respondents who said they had experienced problems with their provider were asked to estimate how many hours of personal time they had spent trying to resolve the problem(s).²⁰⁷ Those that switched provider were asked to exclude any time they spent trying to solve problems caused by the switching process. The average amount of personal time that respondents estimate they spent trying to resolve the problem(s) is just under 6 hours. The most common answer is between 3 and 5 hours.

Time without Internet access

Respondents who said they had experienced problems with their provider were asked to estimate the total amount of time they were without Internet access over the last 12 months due to these problems. Those that switched provider were asked to exclude any time they spent without Internet access due to the switching process. The average amount of time that respondents estimate they were without Internet access due to the problem(s) they experienced, in total over the 12 month period, is just under 5 days. While some respondents say they experienced no more than a day of 'downtime' (32%), for others, the total amount of time without access was 7 days or more (22%). Some respondents say that they experienced no interruption as a result of the problems they had (6%).

The estimated time without Internet access varies and is highest in France, Italy, Germany, and Ireland at five days or more without Internet access. The lowest figures are in Malta, Estonia, Hungary, Latvia, and Lithuania (less than 3 days without Internet access on average). There is also a difference by Internet proficiency: those who are classified as 'proficient' estimate a shorter amount of time without Internet access than those who are 'not proficient'. This suggests that knowledge about Internet service provision may help to reduce the duration of the interruption. The table below presents the results of the consumer survey which were used for the calculation of the consumer detriment.

²⁰⁶ This estimate of time spent dealing with a problem could be an underestimate. As work undertaken by the UK Office of Fair Trading found, consumers may find it difficult to remember such details of time spent and are likely to underestimate how much time was in fact spent. Office of Fair Trading (2006), *Focus Group Research on Consumer Detriment*, Prepared for OFT by FDS International. January.

²⁰⁷ This was the question asked: Q28 Thinking about these problem(s) again, how many hours of PERSONAL TIME have you spent trying to solve the problem(s)? Please answer in terms of the approximate amount of time you and other household member spent over the last 12 months trying to solve the problem(s), rather than for how long the problem(s) lasted.

Table 59. Data from the consumer survey used for the calculation of consumer detriment

Source: Civic Consulting.
 Note: (a) Average values over the last 12 months

Country	Survey results for households with standalone Internet access			Survey results for households with bundles		
	Time spent solving problems (in hours) ^(a)	Time connection was out of service due to problems (in days) ^(a)	Monthly price paid for Internet access (in Euro) ^(a)	Time spent solving problems (in hours) ^(a)	Time connection was out of service due to problems (in days) ^(a)	Monthly price paid for bundle (in Euro) ^(a)
BE	5.9	3.0	35.0	5.8	4.5	56.5
BG	4.1	4.1	10.0	6.1	4.1	15.9
CZ	6.0	4.8	16.6	5.2	4.5	31.6
DK	5.3	3.2	25.2	5.4	4.6	42.3
DE	8.0	2.5	25.5	6.5	5.1	36.8
EE	4.3	3.0	13.3	3.8	2.6	27.0
IE	6.1	5.2	27.3	5.4	4.9	50.2
EL	3.8	5.8	24.6	5.3	4.4	43.2
ES	4.3	6.6	30.8	5.4	4.6	47.4
FR	4.9	5.9	31.0	5.8	6.3	39.9
IT	6.6	4.0	29.9	6.1	5.2	43.2
CY	4.0	6.1	37.3	4.1	4.3	51.7
LV	3.9	2.7	14.7	4.0	2.3	26.0
LT	5.1	2.5	10.2	4.1	2.9	19.8
LU	3.8	3.1	40.3	6.4	3.3	58.5
HU	6.3	3.9	16.2	3.4	2.6	28.3
MT	4.3	2.6	18.7	3.4	1.8	41.1
NL	5.7	3.4	24.5	5.8	3.9	49.8
AT	6.0	4.9	19.0	5.3	4.0	34.0
PL	5.4	4.9	13.1	4.9	4.8	26.0
PT	4.9	3.5	22.1	6.6	4.4	44.8
RO	9.5	5.4	10.2	7.5	4.4	18.1
SI	5.8	5.5	25.4	6.7	3.8	44.7
SK	4.3	4.3	15.3	5.3	4.8	28.9
FI	6.7	4.3	26.2	7.9	5.0	35.4
SE	7.1	5.1	28.2	6.6	4.7	41.4
UK	3.5	3.2	20.4	6.5	3.8	42.4
IS	4.1	2.8	32.2	7.6	4.3	53.4
NO	6.7	6.3	45.5	6.1	5.4	54.4

We then determined the consumer detriment for the sample of consumers surveyed on the basis of the reported average time spent solving problems, the average time the connection was reported to be out of service, and the reported average price paid

for an Internet connection over the last 12 months (see Annex 1 for the detailed methodology).

Finally, we extrapolated our estimate of consumer detriment suffered by consumers surveyed to the number of households with broadband Internet access in all 29 study countries to obtain an aggregated value of the consumer detriment suffered by consumers over the last 12 months in the 27 EU Member States, plus Iceland and Norway. The table below presents the results of our analysis.

Table 60. Detriment per year resulting from problems experienced by consumers

Source: Civic Consulting.

Country	Scenario 1 : Detriment based on the value of leisure time (in Euro)			Scenario 2: Detriment based on the value of working time (in Euro)		
	Standalone	Bundle	Total	Standalone	Bundle	Total
BE	3,580,657	38,769,446	42,350,102	11,045,765	108,652,378	119,698,143
BG	248,387	1,015,089	1,263,477	540,808	2,160,741	2,701,548
CZ	3,556,353	5,934,644	9,490,997	9,640,493	13,860,154	23,500,647
DK	6,853,318	21,821,204	28,674,523	21,589,280	64,076,676	85,665,956
DE	22,099,017	270,755,654	292,854,671	70,945,097	797,149,609	868,094,706
EE	115,322	782,517	897,839	325,245	1,950,164	2,275,409
IE	3,513,437	14,112,926	17,626,363	10,763,148	40,412,447	51,175,595
EL	832,040	14,768,894	15,600,934	2,163,691	38,614,432	40,778,123
ES	4,475,256	84,963,525	89,438,781	11,252,713	221,059,295	232,312,008
FR	3,978,351	224,282,689	228,261,040	11,210,466	616,701,085	627,911,551
IT	12,127,456	119,361,205	131,488,661	36,462,595	328,541,024	365,003,619
CY	38,205	786,594	824,799	93,772	1,949,404	2,043,176
LV	161,634	536,141	697,775	429,417	1,305,153	1,734,570
LT	334,648	1,166,825	1,501,473	986,787	2,931,120	3,917,907
LU	94,115	1,696,830	1,790,945	279,812	5,081,967	5,361,779
HU	1,700,788	4,654,600	6,355,388	4,742,512	11,260,910	16,003,422
MT	51,471	144,318	195,790	154,350	396,507	550,857
NL	4,242,468	55,917,633	60,160,101	13,188,910	160,259,717	173,448,626
AT	1,533,476	5,330,966	6,864,443	4,689,452	15,483,602	20,173,055
PL	7,582,797	22,459,920	30,042,717	20,663,204	52,320,469	72,983,673
PT	1,111,815	13,561,872	14,673,687	3,168,376	34,689,940	37,858,316
RO	455,287	4,401,444	4,856,731	1,253,780	10,804,006	12,057,787
SI	299,557	3,271,093	3,570,650	800,827	8,656,207	9,457,034
SK	878,197	1,759,241	2,637,439	2,200,921	3,873,095	6,074,015
FI	11,927,078	17,338,755	29,265,833	36,716,263	52,123,764	88,840,027
SE	12,832,896	31,101,815	43,934,712	39,210,615	91,759,564	130,970,179
UK	17,444,216	278,306,327	295,750,543	54,000,533	841,931,134	895,931,668
EU27	122,068,243	1,239,002,167	1,361,070,410	368,518,832	3,528,004,565	3,896,523,397
NO	8,761,213	22,174,392	30,935,604	25,877,536	64,520,193	90,397,729
IS	74,667	1,262,777	1,337,444	227,669	3,733,288	3,960,956
Tot. 29 countries	130,904,123	1,262,439,335	1,393,343,459	394,624,037	3,596,258,046	3,990,882,082

With reference to Scenario 1 shown in Table 60, we based our estimate of consumer detriment on the value of leisure time lost. However, in response to our survey consumers indicate that the home Internet connection is also sometimes used for work related activity. Since some time devoted to resolving problems could have

otherwise been applied to work related tasks (with a much higher 'opportunity cost' valuation), in Scenario 2 we base our estimate of consumer detriment on the value of working time lost.

In regard to consumers subscribing to standalone Internet access, our estimate of annual detriment is between 122.1 million Euro (Scenario 1) and 368.5 million Euro (Scenario 2) for the EU27. For consumers subscribing to bundles, annual detriment is estimated at between 1,239.0 million Euro (Scenario 1) and 3,528.0 million Euro (Scenario 2). The total annual consumer detriment is estimated at between 1,361.1 million Euro (Scenario 1) and 3,896.5 million Euro (Scenario 2).

Our estimates are conservative

The approach used is to effectively take a one-year 'snapshot' of the percentage of households experiencing problems and the personal time spent trying to solve them, plus the connection downtime that resulted. The estimation is largely backward-looking. This one-year estimate is conservative since some problems do likely persist for longer periods of time, especially in cases where consumers only have access to the offers of only one ISP and therefore cannot switch their way out of an enduring problem. Also, in some cases interruption of Internet connection can lead to other costs, which we have not considered (such as the costs consumers may bear for alternative access to the Internet). Finally, we have not considered the distress arising from problems and the efforts to solve them, which is an important – but difficult to quantify – component of consumer detriment.²⁰⁸

²⁰⁸ In addition, as a consequence of the existence of network externalities, a day without Internet access may result in a loss not only for the directly affected consumer but also for other persons (e.g. due to externalities associated with a consumer's temporary inability to make phone calls if she or he uses Internet-based phone services).

9 CUSTOMER SERVICE AND DISPUTE RESOLUTION

This section of the report examines the quality of customer service provided by Internet providers, especially when consumers notify them of problems experienced and lodge complaints. Does customer service meet consumer expectations? This includes both the purchasing situation, any technical contact during installation, and subsequent technical support. Another question concerns the reasons for satisfaction or dissatisfaction with complaints handling. Finally, what is best practice in complaints handling?

The section is divided into three main parts, with the first examining consumer survey respondents' experiences with their providers' customer service, the second presenting the detailed findings of the switching exercise with regard to providers' complaint handling, and the third describing the availability and use of alternative dispute resolution procedures.

9.1 CUSTOMER SERVICE AND CONSUMER EXPECTATIONS

Superior customer service might be expected to be a fundamental part of an ISP's branding and competitive advantage. Yet it is not. In the market for Internet access and provision a significant gap exists between the quality of customer service consumers expect to receive and their actual experiences. This gap underlies high levels of consumer dissatisfaction and complaints.

The cost of poor customer service to consumers is significant.²⁰⁹ A key element of that cost is the time and stress associated with the complaint handling process, as well as calling charges for contacting customer service, and any financial penalties that may be applicable. If the complaint is not handled well, for instance, because it is not escalated to the formal complaint handling process, then consumer time loss and costs could be significantly higher. In response to a question in our stakeholder survey on the main problems faced by consumers,²¹⁰ one ADR agency responded: "The main problems encountered by consumers are bad handling of the complaint by their ISPs on mainly technical issues, charges, and advertised speeds". Poor internal complaint handling by ISPs has contributed to the high level of formal complaints lodged with external or alternative dispute resolution (ADRs) entities such as an ombudsman or national regulatory authority.

²⁰⁹ In addition to cost to consumers (who are the particular focus of this study), there are also significant costs incurred by providers, external dispute resolution agencies, and regulators in handling complaints.

²¹⁰ Civic Consulting stakeholder survey, Question 4a for ADR entities: In your view – and based on the cases/disputes your ADR entity has handled – how would you summarise the main problems encountered by consumers with Internet service providers?

The key findings are that:

1. Two thirds of consumer survey respondents across the EU agree that their providers give a useful answer once contacted in regard to problems; 26% disagree with this statement to some extent;
2. The average time taken by providers to resolve consumer survey respondents' biggest problems is longest in France, Italy, and Germany (2.2 to 2.0 weeks, on average) and shortest in Hungary, Malta, Lithuania, Latvia, Cyprus, and Estonia (less than one week on average);
3. The average time required for problem resolution is noticeably higher for survey respondents who are bundle users than those with standalone Internet connections (1.8 weeks compared to 1.1 weeks);
4. Thinking about the action they took in response to the biggest problem that they experienced in the past 12 months, the majority of survey respondents across the EU say they were satisfied with the final result (62%); however, more than a third (35%) were not satisfied;
5. Among the 23% of respondents who took no action in regard to the biggest problem they experienced in the past 12 months, the following reasons were given most frequently: it would have taken a lot of time (36%); they did not expect to get a satisfactory solution (31%); they did not know to whom to complain (25%).

Before proceeding, some of the terminology used in this section of the report is briefly explained. A complaint is an expression of dissatisfaction made to an organisation related to its products or services or the complaints-handling process itself, where a response or resolution is implicitly or explicitly expected. 'Complaints-handling' (internal process) refers to the way in which a provider handles customer dissatisfaction related to its products, services, or the complaints-handling process itself. Dispute resolution (external process) occurs when the complaint is escalated to an external body, e.g. an ombudsman. For consumers, 'customer service quality' usually refers to the way their provider treats them before and after the sale, with complaints-handling an important aspect of that customer service quality.

The following text box discusses the existence of regulatory and self-regulatory rules for complaint handling by Internet service providers.

Rules for complaint handling

Thirteen of the twenty-two national regulatory authorities (NRAs) that responded to our stakeholder survey indicated that specific regulatory and/or self-regulatory rules regarding complaint handling by ISPs exist in their country. According to the information provided by these NRAs, both regulatory and self-regulatory rules exist in 4 countries, regulatory rules (only) in 8 countries, and self-regulatory rules (only) in 1 country. The other NRAs responded that there were no such rules in their country (6 NRAs) or did not provide information on the issue.

Examples of rules reported by NRAs include:

- Regulatory requirement for providers to resolve complaints in a 'fair and timely manner' and outline of minimum standards concerning the accessibility, transparency, and effectiveness of providers' complaints handling procedures ('the Ofcom Code' in the United Kingdom).²¹¹
- Regulatory rules stipulating that contracts must specify the method by which consumers may pursue the dispute settlement proceedings (Estonia, Malta, Portugal).
- Regulatory rules concerning contract cancellation in case the speed of the Internet connection is lower than expected (Italy).²¹²
- Self-regulatory rules on how complaints regarding speeds should be handled by ISPs (Sweden).

9.1.1 Service quality during the phases of the customer-provider relationship

Customer service impacts on the various stages of the customer-provider relationship, including:

- ▶ *Pre-sale marketing and advertising:* when a consumer is initially made aware of a product;
- ▶ *Pre-contract enquiries:* when a consumer approaches a service provider to find out more information about a product with a view to entering into a contract;
- ▶ *Post-sale questions:* when a consumer contacts his or her provider to raise a question or concern about their product or service;

²¹¹ This Code will replace the current requirement for providers to seek Ofcom approval of their individual Codes of Practice (see Ofcom, 2010. *A Review of Consumer Complaints Procedures*. Available at: http://stakeholders.ofcom.org.uk/binaries/consultations/complaints_procedures/statement/statement.pdf).

²¹² A software agent can be downloaded on the website of the Italian NRA (Agcom) which allows consumers to test the speed of their Internet connection. If the results show that the actual speed is slower than promised by the ISP, the consumer may submit a claim to the provider. If the ISP does not improve the quality of the connection in 30 days, the consumer may cancel his or her contract without paying any penalties.

- ▶ *Post-sale complaints*: when a consumer complains about his or her product or service, or about the actual complaints handling process;
- ▶ *External dispute resolution*: when a consumer is dissatisfied with the way his or her complaint has been handled by the service provider and chooses to take it to an external dispute resolution entity.

In the following discussion, we examine Internet service providers' customer service during the above-listed stages of the customer-provider relationship.

Pre-sale marketing / advertising and pre-contract enquiries

For a comprehensive discussion of the clarity and comparability of offers made by Internet service providers, please see Sections 4 and 5 of this report.

Post-sale questions

The consumer survey requested that respondents provide their opinion on the help and information they receive from their Internet providers. The table below indicates that two thirds of respondents (66%) across the EU agree that their providers give a useful answer once contacted in regard to any problems (26% of respondents disagree to some extent). Additionally, 71% of consumer survey respondents agree that their Internet service provider maintains a website on which they can easily find desired information.

The table also reveals differences in attitudes towards the help and information received by respondents from their Internet service providers according to socio-demographic traits and connection characteristics:

- ▶ There is a tendency for views to be more positive in the older age groups, particularly in relation to information availability on the provider's website and in getting useful answers to experienced problems;
- ▶ Respondents with a bundle also tend to be somewhat more positive than those with standalone Internet access, e.g. 72% of those with a bundle agree that their provider has a website on which they can easily find the information they want, compared with 65% of those with standalone access;
- ▶ Views are less positive where respondents have slow connection speeds (up to 2 Mbps); this applies noticeably in regard to getting useful answers in case of problems and the helpfulness of the provider's website.

Table 61. Attitudes to help and information, analysis by age, package type, and connection speed

Source: Consumer survey, Q25: For each of the following, please indicate whether you totally agree, tend to agree, tend to disagree or totally disagree. (N=27668 for EU27)
Note: Table includes percentages of respondents who answered 'totally agree' or 'tend to agree' to the question.

	Sub-sample	...My provider has a website on which you can easily find the desired information	...In case of problems my Internet provider gives me a useful answer
Average	EU27	71%	66%
Age	15 to 24	66%	61%
	25 to 39	70%	66%
	40 to 54	73%	65%
	55 +	74%	68%
Package	Standalone	65%	62%
	Bundle	72%	66%
Speed	Up to 2 Mbps	63%	58%
	>2 to 12 Mbps	71%	65%
	>12 to 30 Mbps	74%	69%
	More than 30 Mbps	75%	70%

Survey responses set out in the table below show that survey respondents' attitudes toward help and information provided by their ISP are relatively positive in a number of countries. Respondents in Malta, Cyprus, Bulgaria, Estonia, and Latvia show particularly high levels of agreement to the statements, while views are less positive in Luxembourg (in relation to having a website where it is easy to find information) and in Finland (also in relation to the provider's website, and in getting useful answers in case of problems).

Table 62. Attitudes to help and information, analysis by country

Source: Consumer survey, Q25.
(N=27668 for EU27)

Note: Table includes percentages of respondents who answered 'totally agree' or 'tend to agree' to the question.

Country	...My provider has a website on which you can easily find the desired information	...In case of problems my Internet provider gives me a useful answer
EU27	71%	66%
BE	67%	63%
BG	76%	81%
CZ	74%	67%
DK	68%	67%
DE	67%	62%
EE	76%	79%
IE	68%	61%
EL	72%	75%
ES	67%	64%
FR	74%	63%
IT	72%	67%
CY	86%	90%
LV	76%	81%
LT	72%	74%
LU	60%	66%
HU	66%	69%
MT	87%	87%
NL	72%	61%
AT	64%	63%
PL	75%	68%
PT	71%	67%
RO	70%	70%
SI	71%	67%
SK	75%	73%
FI	61%	57%
SE	65%	62%
UK	78%	66%
IS	64%	70%
NO	65%	63%

Post-sale complaints

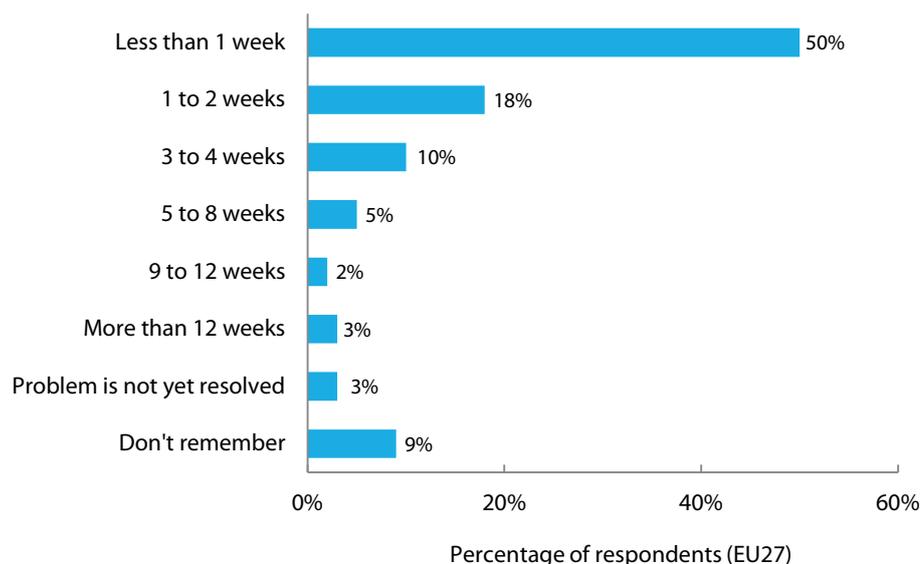
Time taken by providers to solve problems

Consumer survey respondents who had experienced problems with their Internet service provider were asked to recall the biggest problem they experienced over the previous 12 months and estimate how long it took the provider to resolve the problem.

As the next figure indicates, half of this sample of respondents (50%) reports that their provider resolved the biggest problem they experienced in less than one week. For a substantial minority of respondents (18%) the process took between 1 and 2 weeks, and an additional 10% had to wait 3 to 4 weeks for their biggest problem to be resolved. Still others reported a very lengthy problem resolution process: 10% of respondents needed to wait more than 5 weeks for their problem to be resolved.

Figure 89. Time taken by providers to solve problems

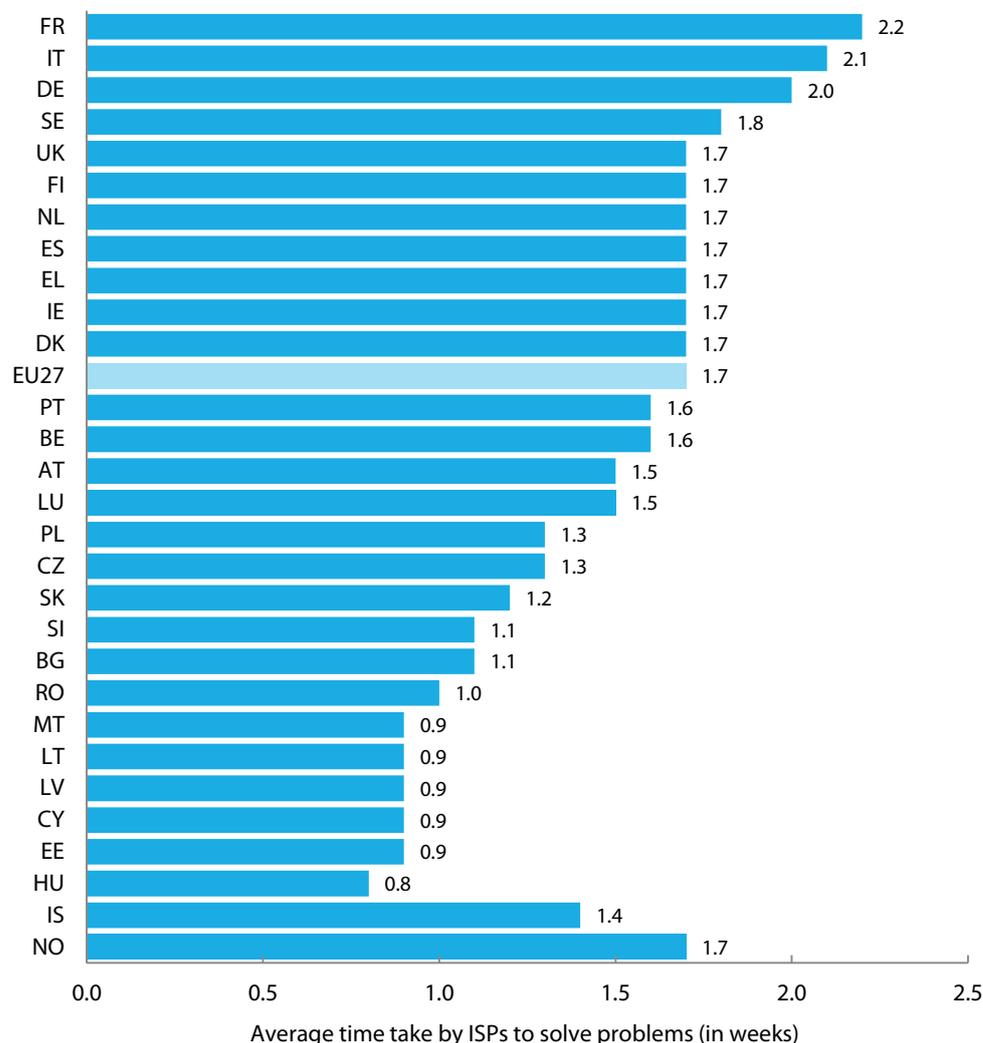
Source: Consumer survey, Q30: Now, thinking about the biggest problem you experienced with your Internet service provider over the last 12 months, please estimate how long it took your provider to resolve this problem. Please answer in terms of how long the problem lasted, from the first time it occurred to when it was finally resolved by the provider. (N=10109 for EU27)



When the findings on time taken to resolve problems are considered regionally, respondents from the EU12 report quicker resolution of their problems than EU15 respondents (an average of 1.0 weeks across Bulgaria and Romania, 1.2 weeks in the remaining EU12 Member States, and 1.9 weeks in both the four countries in the south of Europe (Greece, Italy, Portugal, and Spain) and the remaining EU15 countries, plus Iceland and Norway. The average time taken to resolve respondents' problems is longest in France, Italy, and Germany and shortest in Hungary, Malta, Lithuania, Latvia, Cyprus, and Estonia.

Figure 90. Time taken by providers to solve problems, analysis by country

Source: Consumer survey, Q30.
(N=10109 for EU27)



The average time taken by providers to resolve survey respondents' biggest problems is higher for respondents in the younger age brackets (see table below). The average time ranges from 2 weeks for 15-24 year olds to 1.4 weeks for those aged 55 or over, and may to some extent reflect differences in consumer behaviour (e.g. older respondents may be more likely to persist in contacting their provider).

The average time required for problem resolution is noticeably higher for bundle users than those with standalone Internet access (1.8 weeks compared to 1.1 weeks). Those who have satellite-based connections also tended to spend more time waiting for their providers to resolve their biggest problem (2.6 weeks compared to a maximum of 1.8 weeks among the other technologies).

Table 63. Time taken by providers to solve problems, analysis by age, switching behaviour, package type, WiFi, and type of Internet access

Source: Consumer survey, Q30.
(N=8905 for EU27)
Note: (a) Excludes 'Not Resolved' and 'Don't Remember'

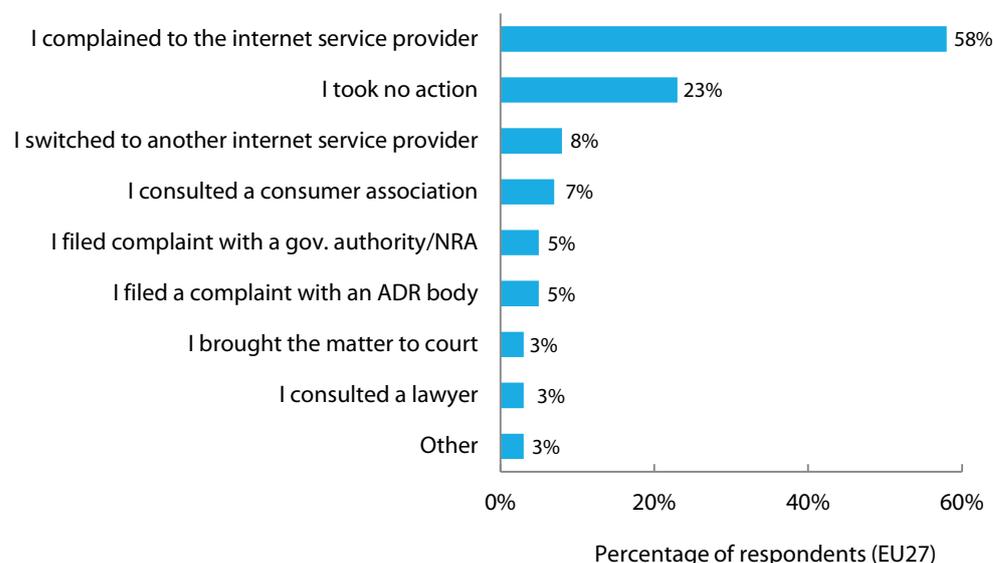
	Sub-sample	Average in weeks ^(a)
Average	EU27	1.7
Age	15 to 24	2.0
	25 to 39	1.8
	40 to 54	1.5
	55 +	1.4
Switching behaviour	Switchers	1.9
	Considerers	1.7
	Non-Switchers	1.4
Package	Standalone	1.1
	Bundle	1.8
WiFi	Yes	1.5
	No	1.9
Access	DSL	1.7
	Cable	1.6
	Optical fibre (FTTx)	1.8
	Satellite	2.6
	Dongle/USB/Other	1.3

Action taken in response to biggest problem

Consumer survey respondents who had experienced problems in the last 12 months were also asked what action they took in response to the biggest problem they had encountered. As seen in the following figure, more than half of respondents (58%) say they complained to the provider. Some respondents complained to other organisations, such as an alternative dispute resolution body (5%) or a government authority or regulator (also 5%), while some consulted a consumer association (7%). A small number consulted a lawyer (3%) or took the matter to court (also 3%), while 8% switched to a different provider. Around a quarter of respondents (23%) say that they took no action.

Figure 91. Action taken in response to biggest problem (multiple answers possible)

Source: Consumer survey, Q31: Referring to this particular problem that you described: what action did you take? (N=10109 for EU27)



The following text box discusses special customer service-related considerations that are applicable in relation to vulnerable and/or disadvantaged consumers.

Experience of vulnerable and disadvantaged consumers

While customer service problems arise for all consumers, there is a disproportionate detrimental effect on vulnerable and disadvantaged consumers. For example, the financial detriment associated with bill shock can be particularly grave to vulnerable groups, including young inexperienced consumers. Consumers with visual and hearing impairments also face special difficulty. Communication difficulties, confusing and complex products, hard to follow contracts and high pressure sales have all been cited as difficulties faced by disadvantaged consumers.²¹³

Consumers in this group are likely to need special support from their service provider. Industry could be asked to report on customer service provisions in relation to vulnerable consumers or those with special needs. This will help the regulator/policy maker to better understand what arrangements providers have or should have in place to ensure accessibility to vulnerable and disadvantaged consumers.²¹⁴

²¹³ See, for example, Footscray Community Legal Centre & Australian Communications Consumer Action Network (ACCAN). 2011. Taking Advantage of Disadvantage: Case Studies of Refugee and New Migrant Experiences in the Communications Market. ACCAN, Sydney. See also: Australian Communications and Media Authority. 2010. "Reconnecting the Customer: ACMA public inquiry Progress report" (available at http://engage.acma.gov.au/reconnecting/wp-content/uploads/2011/02/Reconnecting-the-Customer-public-inquiry_Progress-report_Final.pdf). For more on vulnerable consumers in communications markets, see Xavier, Patrick. 2011. "Behavioural economics and customer complaints in communication markets". A report prepared for the Australian Communications and Media Authority (ACMA) in connection with the public inquiry "Reconnecting the Customer".

²¹⁴ Some studies have shown that, for example, third-party complaint agencies, including ADR entities, are not primarily used by disadvantaged consumers as defined by the traditional research perspective. Instead, the younger, non-minority consumers and minority consumers who speak the official language of the country of residence, with relatively high incomes and high educational levels are more likely to obtain redress through the services of such agencies. See, for instance, Garrett, D. E. and Toumanoff, P. G.

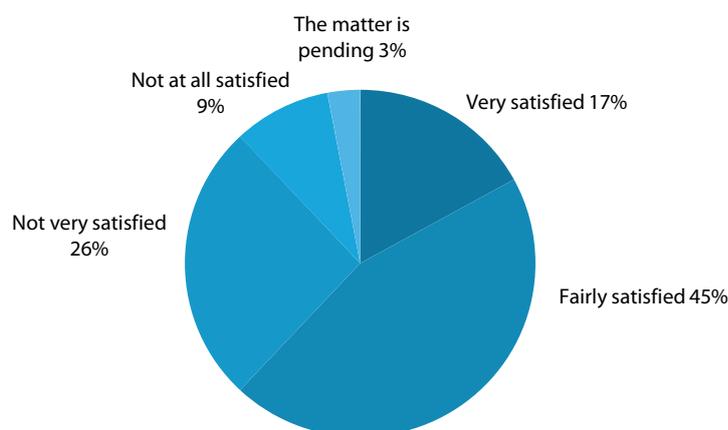
Satisfaction with final result

Still thinking about the action they took in response to the biggest problem that they had experienced in the previous 12 months, the majority of consumer survey respondents across the EU say they were satisfied with the final result (62%), with 17% very satisfied.²¹⁵

Around a third (35%) of respondents was not satisfied, including 9% who were not at all satisfied.²¹⁶

Figure 92. Satisfaction with final result of action taken

Source: Consumer survey, Q32: When you took action concerning this particular problem, how satisfied were you with the final result? (N=7755 for EU27)



Respondents' satisfaction levels are generally consistent across the 29 countries surveyed (see table below), although the proportion of respondents who were satisfied is highest in Malta (78%), Cyprus (76%), and Estonia (75%). Respondents in Luxembourg were least satisfied (53% satisfied and 42% not satisfied).

2010. "Are consumers disadvantaged or vulnerable? An examination of consumer complaints to the Better Business Bureau". *Journal of Consumer Affairs*, Vol. 44, No. 1.

²¹⁵ It is of interest to note that in a European Commission study dealing with consumer problems more broadly, more than a fifth of consumers reported experiencing a problem. 78% of those who had a problem complained. Of those who turned to public authorities or consumer organisations for help, only 50% were satisfied with the help they received. See European Commission. 2011. *Consumer Empowerment in the EU*. Commission Staff Working Paper. Brussels, SEC(2011) 469 final.

²¹⁶ Of those consumer survey respondents who only complained to their ISP, 60% reported to be satisfied with the final result (13% very satisfied and 47% fairly satisfied).

Table 64. Satisfaction with final result of action taken, analysis by country

Source: Consumer survey, Q32.
(N=7755 for EU27)

Country	Total Satisfied	Total Dissatisfied	The matter is pending
EU27	61%	35%	3%
MT	78%	9%	13%
CY	76%	22%	2%
EE	75%	23%	2%
LT	72%	26%	2%
LV	71%	26%	2%
DK	69%	25%	6%
IE	68%	30%	2%
UK	67%	30%	3%
CZ	67%	24%	8%
BG	67%	29%	4%
SI	66%	32%	2%
PL	64%	35%	1%
HU	64%	34%	1%
SE	62%	31%	7%
SK	61%	38%	1%
RO	61%	37%	2%
IT	61%	37%	2%
DE	61%	34%	6%
NL	58%	36%	6%
FI	58%	38%	5%
ES	58%	39%	3%
PT	57%	35%	8%
FR	57%	40%	3%
EL	57%	41%	2%
BE	56%	41%	3%
AT	55%	38%	7%
LU	53%	42%	5%
IS	70%	24%	5%
NO	68%	29%	3%

As seen in the next table, respondents' satisfaction with the final result of the action they took in response to the problem is higher in metropolitan zones than in other types of locality (65% were satisfied in metropolitan zones). Additionally, those who have considered switching their provider, but have not actually done so, report being less satisfied with the results of the action they took than either those respondents who have switched or those that have not considered switching.

Table 65. Satisfaction with final result of action taken, analysis by locality, switching behaviour, and type of Internet access

Source: Consumer survey, Q32.
(N=7755 for EU27)

	Sub-sample	Total Satisfied	Total Dissatisfied	The matter is pending
Average	EU27	61%	35%	3%
Locality	Metropolitan	65%	32%	2%
	Urban centre	61%	36%	3%
	Rural/Village	58%	38%	5%
Switching behaviour	Switchers	66%	31%	3%
	Considerers	55%	42%	4%
	Non-Switchers	68%	30%	3%
Access	DSL	60%	36%	4%
	Cable	65%	33%	2%
	Optical fibre (FTTx)	63%	36%	1%
	Satellite	69%	28%	2%
	Dongle/USB/Other	56%	39%	5%

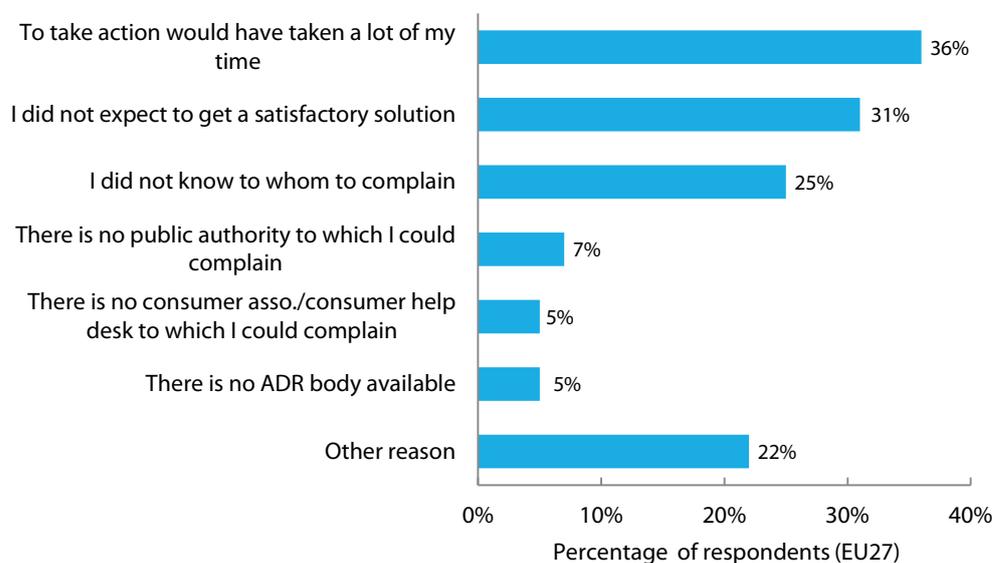
Why respondents did not take action

We explored further why 23% of respondents took no action in response to the biggest problem they experienced in the previous 12 months. As Figure 93 indicates, the main reasons given by respondents are that:

- ▶ It would have taken a lot of their time (36%);
- ▶ They did not expect to get a satisfactory solution (31%); and
- ▶ They did not know to whom they should complain (25%);
- ▶ There is no alternative dispute resolution body (5%) or consumer association with which they could lodge a complaint (5%).

Figure 93. Why respondents did not take action

Source: Consumer survey, Q33: Why did you not take any action? (N=2353 for EU27)



The proportion of consumer survey respondents that took no action is highest in Poland (46%) and Hungary (43%). The proportion that complained to their provider is highest in Malta, Bulgaria, and Cyprus. A relatively high proportion of respondents in Italy complained to an alternative dispute resolution body (8%) or a government authority or regulator (9%), or switched provider (13%). Those in Spain are most likely to have consulted either a consumer association (13%) or a lawyer (6%).

The reasons why respondents did not take action vary by gender and age. Table 66 indicates that men are more likely than women to say that it would have taken a lot of their time. Older respondents (aged 55 or over) are less likely than younger respondents to say it would have taken a lot of their time, but are more likely to say they did not know to whom they could complain, or that there is no public authority or consumer association to which they could complain.

Those using the incumbent provider in their country are more likely than those using other providers to say that they did not know to whom they could complain, but are less likely to feel that they would fail to get a satisfactory solution.

External dispute resolution

For a detailed discussion of external dispute resolution, focusing on the role and use of alternative dispute resolution (ADR) entities, please see Section 9.3 of this report.

Table 66. Why respondents did not take action, analysis by gender, age, and provider

	Sub-sample	To take action would have taken a lot of my time	I did not expect to get a satisfactory solution	I did not know to whom to complain	There is no public authority to which I could complain	There is no alternative dispute resolution body available	There is no consumer association or consumer help desk to which I could complain	Other reason
Average	EU27	36%	31%	25%	7%	5%	5%	22%
Gender	Male	41%	32%	24%	8%	6%	4%	20%
	Female	32%	29%	26%	7%	5%	5%	24%
Age	15 to 24	36%	29%	31%	8%	10%	2%	15%
	25 to 39	41%	30%	20%	5%	3%	2%	23%
	40 to 54	39%	32%	21%	6%	4%	4%	22%
	55 +	26%	30%	32%	11%	8%	9%	24%
ISP	Incumbent	33%	26%	27%	10%	4%	3%	23%
	Others	37%	32%	24%	7%	6%	5%	22%

Source: Consumer survey, Q33. (N=2353 for EU27)

9.2 SATISFACTION WITH COMPLAINT HANDLING

In regard to assessing satisfaction with customer service, and specifically complaint handling, the views of our switching exercise participants are particularly noteworthy as they anonymously tested Internet service providers' responses to a common technical problem: slower than expected connection speeds.

This section is composed of three parts: an overview of the switching exercise participants' experience with their providers' customer service and complaint handling; presentation of email specific results (i.e. how did providers respond to complaints lodged by email?); and presentation of specific aspects related to phone-based customer service queries.

The key findings are that:

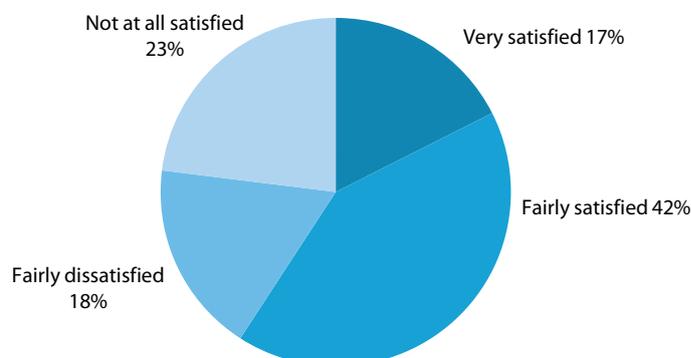
1. Participants in the switching exercise that was carried out in five countries indicated that they were satisfied for more than half of their contacts with their providers, but fairly dissatisfied for almost one out five contacts (18%), and not at all satisfied for almost one out of four contacts (23%);
2. Customer service queries launched by phone appear more helpful than those sent by email: participants in the five countries were satisfied in three-fourths of cases when communicating with their ISP by phone but in less than half of cases when corresponding via email;
3. On average, participants received a response to their email in two working days, not considering acknowledgement messages; on average, participants in the United Kingdom received the quickest responses (half a working day), while participants in Poland were those who waited the longest (over 4 working days);
4. Responses from the switching exercise indicate that participants value ISPs which are easy to contact; acknowledge problems; respond quickly with needed information; succeed in putting things right; and provide a degree of sympathy.

Overall experience of participants with customer service

Participants in the switching exercise were more often satisfied than dissatisfied regarding their contacts (by phone and email) with the customer service of their ISPs. They indicated that they were satisfied for more than half of their contacts, but fairly dissatisfied for almost one out of five contacts, and not at all satisfied for almost one out of four contacts (see figure below).

Figure 94. Overall satisfaction of participants with customer service of their ISPs

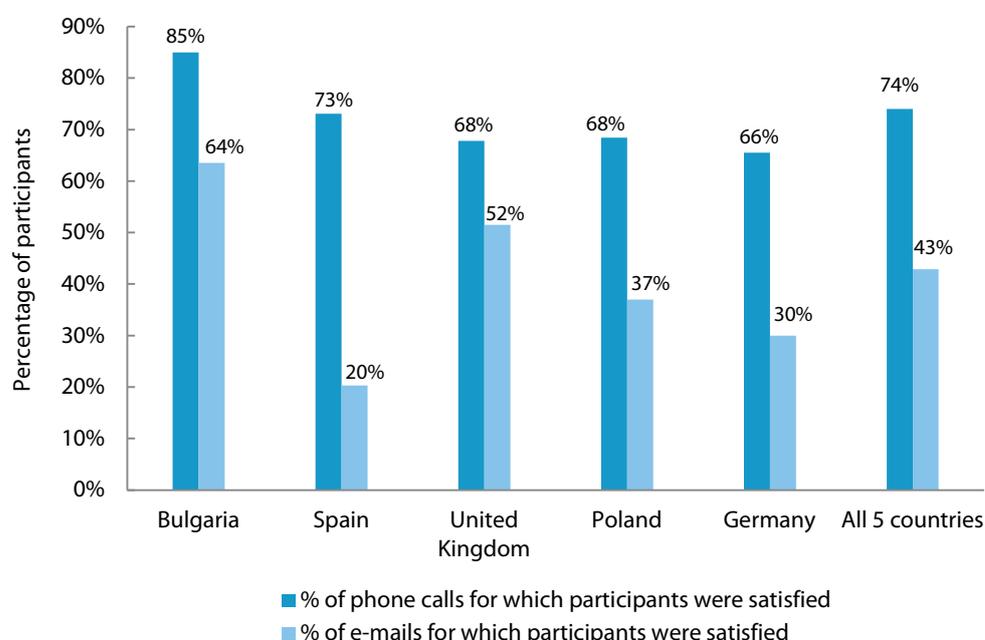
Source: Switching exercise. (N=655 for the 5 countries; N indicates the total number of times participants contacted their ISPs, by phone and email)



Satisfaction with the customer service varied significantly according to the mean of communication used to contact the provider. The figure below indicates that participants in the five countries were satisfied in three-fourths of cases when communicating with their ISP by phone but in less than half of cases when corresponding via emails. Participants in Germany and Spain are those who most often indicated that they were not at all satisfied when communicating by email with their ISP (for 58% and 74% of their emails, respectively).

Figure 95. Satisfaction of participants with customer service, by mean of communication

Source: Switching exercise.



The high percentage of emails which were never acknowledged by ISPs (69% of emails) and the relatively low number of responses addressing the issues raised (57% of emails) are factors contributing to the overall dissatisfaction of participants when

communicating with the customer service of their providers by email (see Figure 96 and Figure 97 below, respectively).

During the focus group discussion, several participants in Germany indicated that they always got the same answer to their emails and wondered whether these were really read. Similarly, one participant in Poland complained about the fact that responses were often standardised without fully addressing the issues raised:

"I have a feeling that everything works automatically, like in some kind of machine. When something non-standard happens, a human factor, then the entire system collapses" (one participant in Poland).

Participants also voiced some disappointment concerning phone calls with providers. For example, several participants in the United Kingdom felt frustrated because they had to provide the same information several times. Three participants in this country had to explain their problem each time they called, leading to repetitive and time consuming conversations. In other cases, participants had to enter their details manually using the phone handset (such as account details, phone number) and then had to provide this information again to the customer services representative once the phone was answered. One provider, however, was highlighted as having an excellent system, where both customers and customer services representatives have access to an online portal, on which communications and actions taken are all logged and visible for both sides to see.

In Poland, four participants were of the opinion that the agents who took their calls demonstrated a lack of competence. Similarly, participants in Spain questioned the technical knowledge of those answering their calls and believed that their ISPs did not have thoroughly trained staff able to answer their queries. Participants in this country concluded that one has to be lucky to obtain good customer service, as reflected in the comments of the following participants:

"It depends very much on the person who answers your call. Some people who attend to you have no idea and appear to be in a hurry" (one participant in Spain).

"Of all the queries I made I only came across one friendly and clear woman who answered all my queries. Also she gave me her contact number just in case the problem continued so that I could locate her again" (another participant in Spain).

In Sweden, a participant found out during the exercise that the new modem that would have allowed her to receive the speed to which she upgraded her contract (and for which she paid a higher price) had actually never been sent to her. When this participant asked her provider why she had not automatically been offered the new modem, she was told that this is usually not done unless the customer complains.

In the United Kingdom, some participants were left with the feeling that in case of a genuine problem, it would not necessarily have been resolved. This was reflected in one of the comments of the participants:

"It was, sort of, 'Switch off everything. Restart it all. We've checked your Internet online, and it's okay,' and that was pretty much the advice" (one participant in the United Kingdom).

In contrast, other participants in this country reported instances of very good customer service. For example, in some cases technical issues were resolved immediately over the phone and in one case the participant was kept informed by text message of checks being made. A participant in the United Kingdom also reported having always been satisfied with the customer service of the provider:

'Well I am with [SUPPLIER], and every time I rang for technical problems they were brilliant. They actually rang me back and they rang me back twice, and [I thought] 'oh, that's impressive' (one participant in the United Kingdom).

Specific aspects email

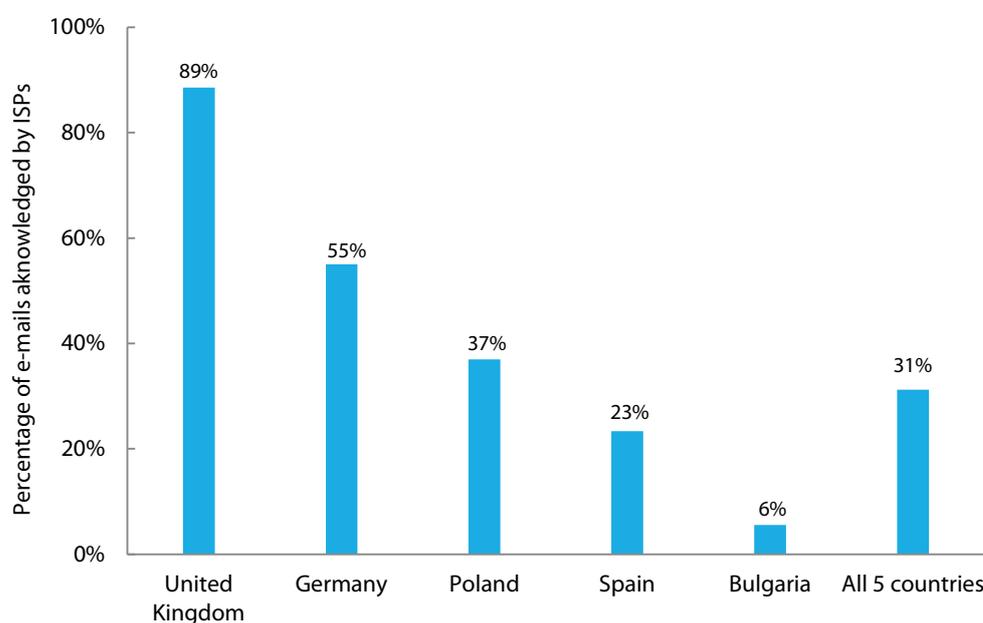
Participants contacted their providers through predefined emails to their old and new providers. This allowed the participants to test whether their ISPs would acknowledge the emails and reply to the issues raised in them. Data was also collected on the time taken by ISPs to answer these queries.

Acknowledgement emails

Participants received an acknowledgement email (such as an automated note informing the participant that the query is being processed) for only about a third of the emails that they sent to their providers, as indicated in the figure below.

Figure 96. Receipt of acknowledgement emails

Source: Switching exercise. (N=334; N indicates the number of emails for which participants in the 5 countries provided data on the issue)



This rate varies significantly across countries. While participants in the United Kingdom received an acknowledgement email in almost 9 times out of 10, participants in Bulgaria received such emails less than 1 time out of 10. The generally positive experiences of British participants were echoed in the focus group discussions:

"I sent an email one evening, got an automatic reply and then a proper email the next morning, which was good" (one participant in the United Kingdom).

In Spain, the email address provided did not work in some cases. In Poland, most participants who contacted a major ISP for technical issues were advised to use the dedicated hotline at an extra fee.

In each country, some participants could not contact their ISP by email because no email address was available and, instead, completed an online contact form on the website of their providers. This was the case for participants subscribed to two ISPs in Spain, one ISP in Germany and another one in Poland. In Poland, however, this online form was often unavailable, as indicated by the results of the fieldwork.

One major provider in the United Kingdom did not provide an email address for customers to use, but provided instead a range of online tools that could be used by customers to check specific aspects of the problem before contacting the ISP by telephone. Several participants actually liked the immediacy of problems being solved in this way, rather than waiting for an email response. These tools were felt by participants to be helpful and relevant, as illustrated by the following comment of a participant:

"I spoke to them on the phone, but they usually send you back to their website... It was a bit frustrating at first, but now I know I can check online I think it's a pretty good way of doing it... It's the same tools they use to check things" (one participant in the United Kingdom).

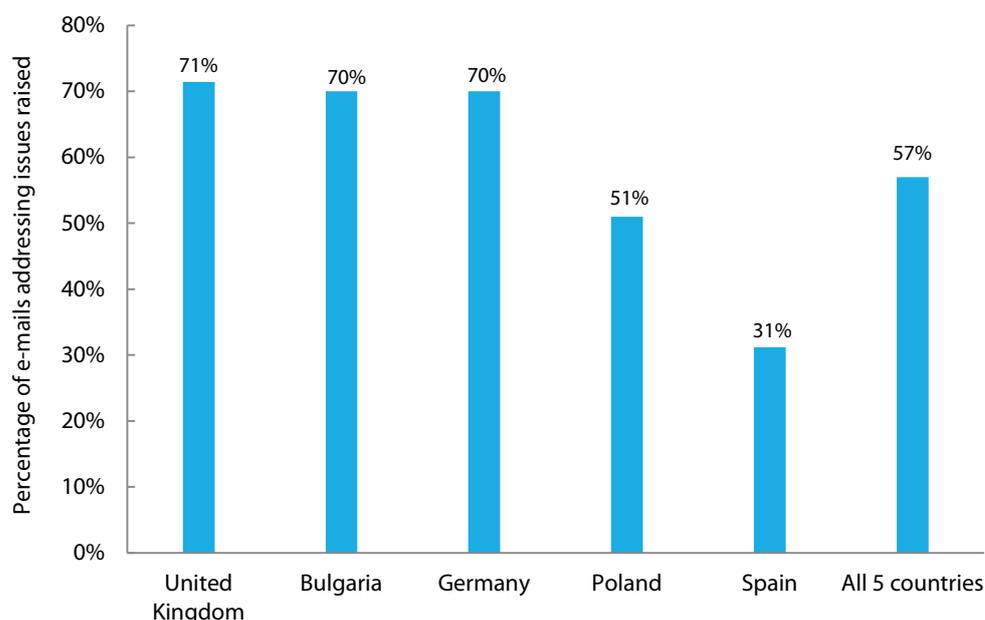
However, another participant in this country found some of the information technically challenging and indicated that she would have preferred to be given instructions over the phone while trying to fix the problems.

Addressing issues raised

Participants in the 5 countries received a response to their email that addressed the issue they raised in slightly more than half of the cases (see figure below). The lowest rate is found in Spain where the participants received an answer that directly responded to their query in only about 3 cases out of 10. By contrast, in the United Kingdom, Bulgaria, and Germany, participants received such an answer in about 7 cases out of 10.

Figure 97.
Reception of a response that addressed the issue raised

Source: Switching exercise. (N=333; N indicates the number of emails for which participants in the 5 countries provided data on the issue)



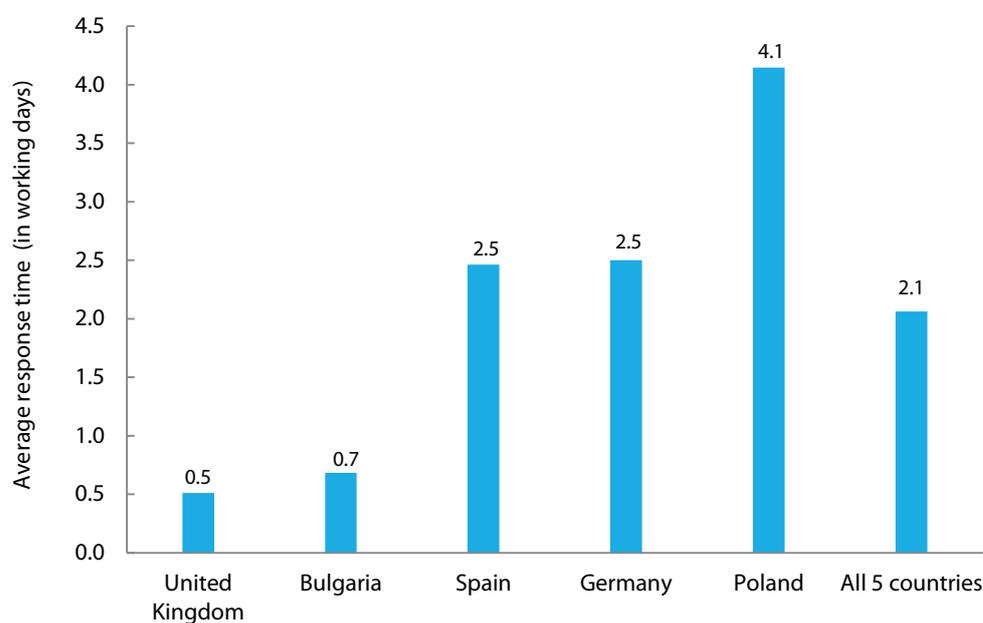
In Poland, participants in some cases received replies to their emails by post. In a few cases, in Poland and Bulgaria, the providers chose to call back the participants instead of writing an email. In Spain and Poland, participants were in some cases invited to call their ISP to discuss the issue, sometimes via a hotline at an extra fee. Nine participants in the United Kingdom stated that they were happy to receive links to specific FAQs on websites, as they often want to be enabled to fix problems themselves and avoid contacting customer services.

Response time to query

On average, participants in the 5 countries received a response to their email in two working days not considering acknowledgement messages. As indicated in the figure below, participants in the United Kingdom received a response the quickest (half a working day), while participants in Poland were those who waited the longest (over 4 working days) until they received a reply to their email from their providers. Participants in other countries had to wait on average between 0.7 and 2.5 working days until they got a response from their ISP.

Figure 98. Number of working days between sending of email and receiving response

Source: Switching exercise. (N=200; N indicates the number of emails for which participants in the 5 countries provided data on the issue)



Specific aspects phone calls

Participants also contacted their providers by phone through predefined requests to their old and new providers. This allowed testing the accessibility of the customer service by phone and collecting information on the costs of phone calls to ISPs.

Accessibility

Participants got through immediately in 86% of their phone calls to their ISPs (see table below). In Germany, Spain, and the United Kingdom, participants immediately got through in more than 90% of their calls. In contrast, participants in Bulgaria and Poland managed to get through immediately less often (in 85% and 71% of calls, respectively). In these countries, participants needed to call several times until they could get through in 13% and 29% of cases, respectively.

Table 67. Number of times participants had to call before the line was free

Source: Switching exercise. (N=344; N indicates the number of phone calls for which participants in the 5 countries provided data on the issue)

Country	Immediately got through	Needed to call several times	Could not get through in spite of trying for 30 minutes
Bulgaria	85%	13%	3%
Germany	94%	6%	0%
Poland	71%	29%	0%
Spain	92%	5%	3%
United Kingdom	93%	7%	0%
All 5 countries	86%	12%	1%

As indicated in the table below, in approximately half of their phone calls, participants were put on hold (on average for about four minutes) before they could talk to a representative of the customer service. Participants in the United Kingdom are those who were put on hold the most often (64% of phone calls) and who waited the longest when put on hold (on average for about eight minutes). These figures were reflected in the comments made by British participants during the focus group discussion, who complained about long waiting times, particularly out of typical working hours, including weekends. Participants in Germany, who were put on hold for an average time of seven and a half minutes, explained that they felt discouraged to talk about their problems once they had reached a representative. In comparison, participants in Spain were put on hold for less than a third of their phone calls, with an average waiting time of less than a minute.

Some participants, such as in the United Kingdom, complained about complex and lengthy Interactive Voice Response (IVR) systems, as reflected in the comment of one participant: "You are listening [...] to fifteen options before you're actually speaking to someone and chances are it doesn't matter [what] you'd have pressed".

Table 68. Waiting time to speak to an agent

Source: Switching exercise. (N=333; N indicates the number of phone calls for which participants in the 5 countries provided data on the issue)

Note: *Excludes the case of a participant who experienced a waiting time of almost one hour on a Sunday morning.

Country	Got straight through	Put on hold	If 'put on hold', average waiting time (in minutes)
Bulgaria	49%	51%	1.0
Germany	63%	38%	7.5
Poland	41%	59%	3.9
Spain	69%	31%	0.8
United Kingdom	36%	64%	7.9*
All 5 countries	51%	49%	4.2

In more than three-fourths of cases participants only spoke to one person during their phone call. This figure is the highest in Spain, where participants only spoke to one person during their call in 95% of cases, and the lowest in Germany, where participants did so in only 42% of the cases. The few cases in which Spanish participants were put through to somebody else were essentially related to calls made to require information for switching provider. German participants waited on average about three and a half minutes when they were put through to somebody else (in 58 % of the cases).

Table 69. Was the call transferred to somebody else?

Source: Switching exercise. (N=289; N indicates the number of phone calls for which participants in the 5 countries provided data on the issue)

Country	Only spoke to one person	Put through to somebody else	If 'put through to somebody else', average waiting time (in minutes)
Bulgaria	75%	25%	0.5
Germany	42%	58%	3.7
Poland	78%	22%	2.4
Spain	95%	5%	0.5
United Kingdom	88%	12%	2.9
All 5 countries	76%	24%	2.0

Call costs

When contacting their ISPs, participants used a free hotline for more than half of their phone calls, a normal domestic landline for almost a third of their calls, and a hotline at extra fee for less than one out of five calls (see table below). Participants in Spain and the United Kingdom are those who could use a free hotline the most often (for 76% and 80% of phone calls, respectively). In Bulgaria, half of the participants could use a free hotline or paid otherwise the price of a normal domestic call in most cases (for 50% and 48% of calls, respectively).

In contrast, participants in Poland and Germany incurred a cost in most cases when calling their ISPs. Polish participants had to use a hotline with an extra fee for almost one out of four phone calls and were charged the price of a normal domestic call for half of the calls. Most participants subscribed to a major ISP in Poland were specifically told to contact the provider with all technical issues using a dedicated hotline with an extra fee. One of the participants subscribed to this ISP tried to find information about the cost of this hotline at the time of signing the contract and when speaking to three different customer service representatives, but her efforts were in vain. German participants are those who had to call a hotline with extra fee the most often. They did so for more than half of their phone calls.

Table 70. *How was the call charged?*

Source: Switching exercise. (N=343; N indicates the number of phone calls for which participants in the 5 countries provided data on the issue)
Note: In case participants had several options, they were recommended to choose the cheapest option.

Country	Free hotline	Normal domestic landline	Hotline with extra fee
Bulgaria	50%	48%	3%
Germany	39%	10%	52%
Poland	25%	54%	22%
Spain	76%	4%	21%
United Kingdom	80%	8%	12%
All 5 countries	55%	29%	16%

9.3 DISPUTE RESOLUTION

This section covers the availability of dispute resolution through out-of-court alternative means (such as mediation, arbitration, or Ombudsman services) and its use by consumers. Questions addressed include: what types of alternative dispute resolution (ADR) are available that handle consumer problems related to broadband Internet service provision? How many consumers use ADR and, for those who do not, what is holding them back from taking action? Finally, are there examples of good practice in ADR?

The key findings are that:

1. Previous research on ADR reveals that some of the largest ADR entities in the EU cover the telecommunications sector, or even the Internet sector only – the largest such entities are located in the UK, Belgium, and Austria;
2. All 15 ADR entities that responded to this study's stakeholder survey deal with broadband Internet-related cases; seven are mediation entities and six provide arbitration or Ombudsman services, which means their decisions are binding (on the business or both parties);
3. Current good practices reported by stakeholder organisations include guarantees of 100% compliance to ADR decisions; mandatory membership of (Ombudsman) schemes by ISPs; stakeholder dialogues to iron out problem issues; and ensuring the absence of unfair contract terms before admitting ISPs to ADR entities;
4. Despite the presence of well performing entities in some of the Member States, the take up and use of ADR entities by consumers appears low, as evidenced by both the consumer survey and the stakeholder survey.

9.3.1 Availability of alternative dispute resolution (ADR)

According to detailed previous research, the distribution of ADR entities in Member States is uneven, not just between countries, but within them as well.²¹⁷ ADR is generally more relevant in Belgium, the UK, Spain, Sweden, Austria, Ireland, and the Netherlands.²¹⁸ The results of the previous research also showed that the telecommunications sector, along with financial services and tourism, is relatively often covered by ADR entities in the Member States.²¹⁹

Some of the biggest (in terms of the number of individual cases handled) ADR entities available in the Member States cover the telecommunications sector; some even

²¹⁷ Civic Consulting study on the use of alternative dispute resolution in the European Union, October 2009, p. 45.

²¹⁸ Civic Consulting study on the use of alternative dispute resolution in the European Union, October 2009, p. 45.

²¹⁹ Civic Consulting study on the use of alternative dispute resolution in the European Union, October 2009, p. 59.

concentrate on the Internet provision sector. Examples include the *Service de médiation pour les télécommunications* in Belgium, the Internet Ombudsman in Austria, and the Ombudsman Services - Communications (previously known as OTELO) in the UK, which provides ADR for the Internet sector but is equally concerned with complaints on fixed voice and mobile telephony services.²²⁰ Some of the other Member States have large well-developed 'generalist' ADR entities covering all sectors, such as the *Sistema arbitral de consumo* in Spain, National Board for Consumer Complaints in Sweden, the Foundation for Consumer Complaints Boards in the Netherlands, and the *Centro de Arbitragem de Conflitos de Consumo de Lisboa* in Portugal.²²¹

Fifteen ADR entities in fourteen countries responded to the stakeholder survey carried out for the current study, and all of them deal with cases related to broadband Internet service provision. As seen in the next figure, seven of these entities offer mediation procedures (i.e. a neutral third party assists the parties to a dispute in finding a consensual agreement). Four provide arbitration procedures (i.e. a neutral third party imposes or proposes a solution to a dispute by issuing binding or non-binding decisions), and four provide conciliation procedures (conciliation resembles mediation, with a more interventionist role foreseen for the third party).²²²

²²⁰ Other ADR entities in the section of telecommunications include the Telecommunications Complaint Board in Denmark, *Le Médiateur des communications électroniques* in France, the Conciliation Body of Telecom in Italy, The Commissioner of Electronic Communications and Post Offices in Cyprus, the Standing Arbitration Consumer Court at the President Office of Electronic Communications in Poland, the National Authority for Management and Regulation in Communications of Romania (ANCOM) in Romania, and the Communications and Internet Services Adjudication Scheme (CISAS) in the United Kingdom (see: http://ec.europa.eu/consumers/redress_cons/schemes_en.htm).

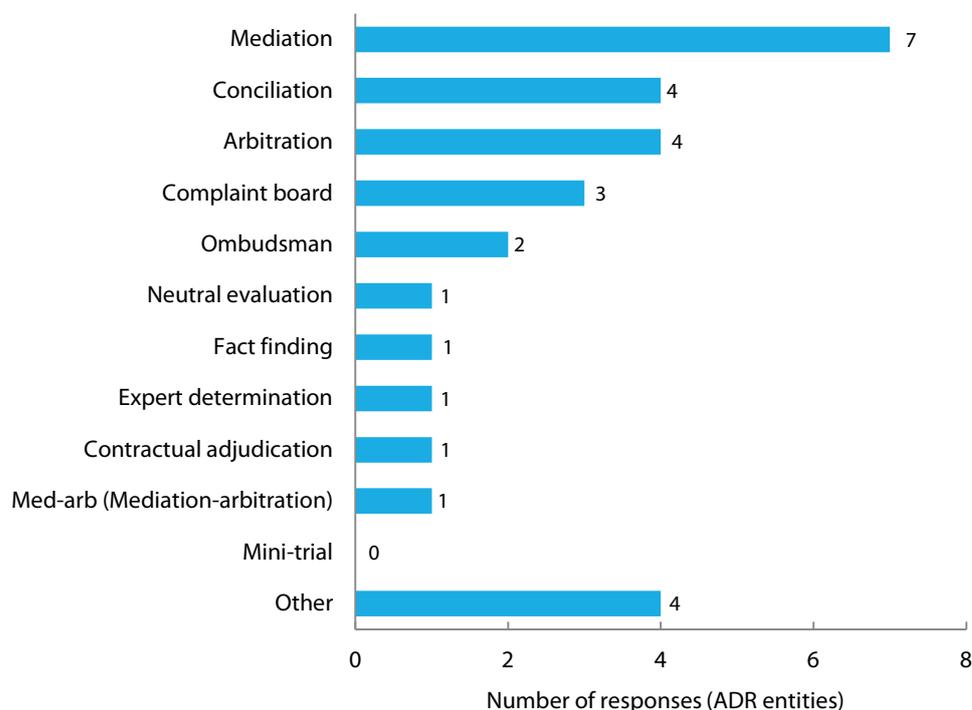
²²¹ Civic Consulting study on the use of alternative dispute resolution in the European Union, October 2009, Table 3, pp. 47, 87.

²²² For full definitions of the types of ADR entities, please see EIM Business & Policy Research. 2006. "SME access to Alternative Dispute Resolution systems", pp. 10-13. Available at http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=4126.

Figure 99. Type of alternative dispute resolution (ADR) entity

Civic Consulting stakeholder survey, Q1b for ADR entities. (N=15).

Note: Survey respondents who selected the option 'Other' specified that other types of ADR entities include permanent consumer arbitration courts under the supervision of the President of the Office of Electronic Communications in Poland, and pre-judicial proceedings in Lithuania.

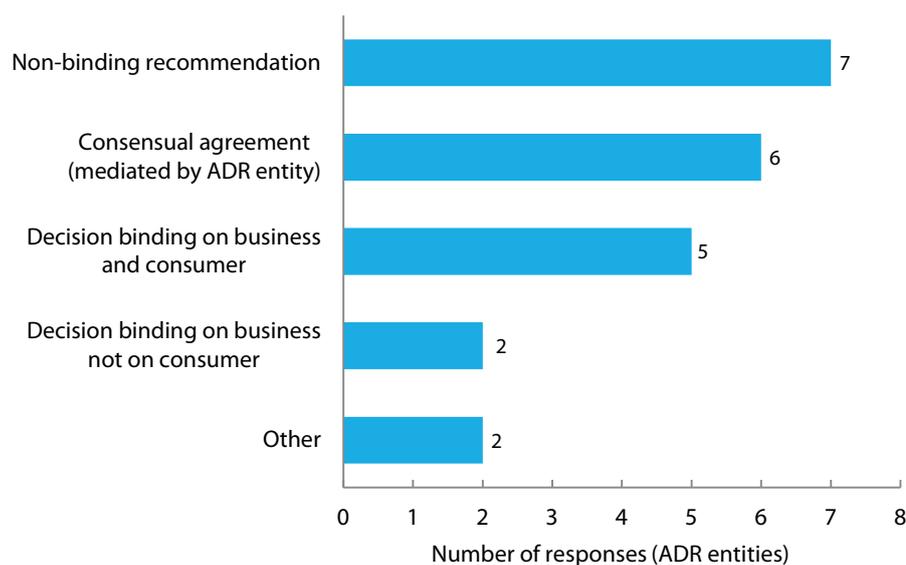


The outcomes of the ADR procedures depend on the type of dispute resolution they offer: those offering mediation issue non-binding recommendations, while arbitration and the Ombudsman services issue decisions that are binding on the business only, or both on the business and the consumer. The outcomes of the ADR entities which responded to our stakeholder survey are outlined in the table below.

Figure 100. Outcomes of ADR entities' procedures

Civic Consulting stakeholder survey, Q2b for ADR entities. (N=15).

Note: The Office of the Commissioner of Electronic Communication and Postal Regulation (OCECPR) in Cyprus specified that other outcomes include the delivery of decisions regarding the protection of the consumers.



Some of the ADR entities guarantee 100% compliance with their decisions. One example is an entity in the Netherlands, another is an entity in Poland ('has the legal force of a common court judgement'), a third is in Portugal ('the judgments of the *Centros de Arbitragem de Conflitos de Consumo* have the same binding and enforceable power as the final judgement of a State court'), and a fourth is in the UK ('the decision of the Ombudsman is enforceable through the courts'). In Norway, if the Internet service provider does not comply with the decision made by the Complaint Board within 30 days its name is published on the Board's website (naming and shaming).

Only one of the entities that responded to the stakeholder survey, the Arbitration Chamber of Milan in Italy, stated that ADR is obligatory before a consumer can take a case to court, if he or she believes that it has not been resolved by the Internet service provider.

9.3.2 Examples of good practice

While it was outside the scope of this study to analyse in detail ADR entities' best practices in terms of their compliance with the principles of the EU Recommendations,²²³ consumer organisations and regulatory authorities did provide a few examples of what they considered to be current good practice through the stakeholder survey. In addition to the compliance-ensuring methods mentioned above, these include mandatory membership by Internet service providers in an Ombudsman scheme, with the scheme's decisions binding on the firm (UK); regular

²²³ 2001/310/EC Recommendation on the principles for out-of-court bodies involved in the consensual resolution of consumer disputes and 98/257/EC Recommendation on the principles applicable to the bodies responsible for out-of-court settlements of consumer disputes. For a comprehensive analysis of best practices in ADR entities generally, see Study on the Use of Alternative Dispute Resolution in the European Union, Civic Consulting for DG SANCO, October 2009.

round table dialogues on ADR issues in the telecommunications sector involving all interested stakeholders (Poland); and ensuring the absence of unfair contract terms by scanning ISPs' contracts before admitting them as members of the ADR entity (the Netherlands). In terms of best practices, stakeholder survey respondents from ADR entities mentioned early mediation in the dispute process, attempts to reach settlements before an investigation is necessary, and clarity on what an ADR entity can cover and what it cannot.²²⁴

9.3.3 Use of ADR

According to the consumer survey results, only a small minority of respondents (5% across the EU27) filed a complaint with an alternative dispute resolution body in response to a problem with their ISP (see Figure 91 in Section 9.1). Higher than average proportions of respondents complained to an ADR entity in Italy (8%) and the UK (7%), while respondents from Hungary, Malta, and Slovenia did not report filing any complaints to such entities. Younger respondents are more likely to use alternative means of dispute resolution than older respondents – 7% of those aged 15-24 filed a complaint with an ADR entity in response to the problem(s) they experienced, compared to just 2% of those aged 55 or above.

Low consumer take-up of ADR processes is also suggested by our stakeholder survey results. For example, the total number of cases regarding Internet service provision admitted by the 15 responding entities in 2011 was 2,174, more than half of which were reported by the UK Ombudsman. Under half of these cases (850 of 2,174 cases) were reported as resolved. They are nevertheless indicative of the relatively limited use of ADR for Internet provision-related cases, and the figures generally support the findings of our consumer survey.

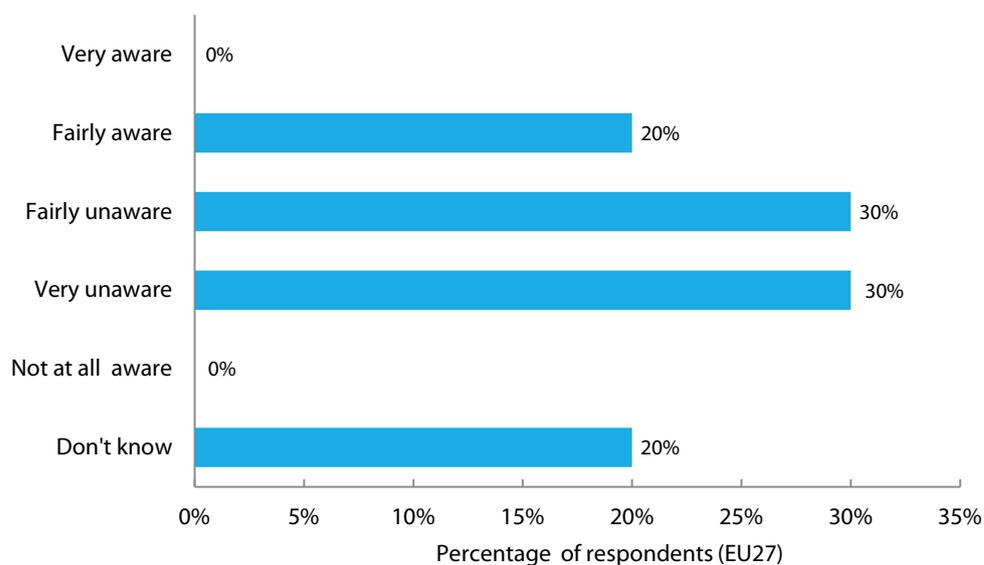
Significantly (as shown in Figure 91 in Section 9.1), nearly a quarter of consumer survey respondents (23%) who had experienced a problem(s) with their ISP in the past year took no action at all in response to the biggest problem they experienced. Reasons given include concerns regarding the length of time required to solve the problem (36%), low expectations of a satisfactory solution (31%), or not knowing to whom to complain (25%). Regarding ADR specifically, 5% of respondents state they took no action because they are aware of no such body (see Figure 93). When these figures are examined by socio-demographic group, those over the age of 55 are less likely to invoke time constraints than their younger counterparts, though considerably more likely to say they did not know to whom they could complain (32%, compared to 20-21% of those aged 25 to 54).

²²⁴ Another best practice example is leaflets that provide information on complaint processes and ADR procedures to consumers (see, for example, the leaflet produced by Ofcom which is available at: <http://consumers.ofcom.org.uk/files/2009/09/complain.pdf>).

One of the main reasons for low take up of out-of-court dispute resolution entities is likely a lack of awareness by consumers of their rights, as well as a lack of awareness of the existence of these entities. This finding is confirmed by the majority of consumer organisations responding to our stakeholder survey (see next figure).²²⁵

Figure 101. How well are consumers aware of their rights in relation to the purchase and use of broadband Internet services?

Civic Consulting stakeholder survey, Q6 for consumer organisations (N=10)



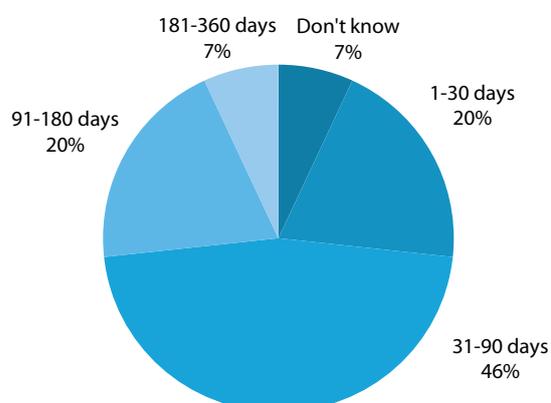
Other elements that act as barriers to the utilisation of ADR by consumers, according to surveyed ADR entities, include the often low amounts of money involved in a dispute,²²⁶ as well as the long amount of time that an ADR case can take. Some of the average amounts of time required to handle an individual case were estimated to be as long as one year or more, though 46% of ADR entities responding to the stakeholder survey quoted an average of 31 to 90 days (see figure below).

²²⁵ Specifically discussing awareness of ADR entities, one of the responding consumer organisations commented that ‘One particular area that scores low is consumer awareness of alternative dispute resolution for telecommunication services, as telecom providers do not inform consumers about them’.

²²⁶ One ADR entity interviewed reported an average amount of redress of 110 British Pounds in 2010 and 2011 ‘When we explain the amount [...] then maybe the consumer thinks it’s not worth going through that for 110 British Pounds when they could just get a letter of apology.’

Figure 102. Average time required to handle an individual ADR case

Civic Consulting stakeholder survey, Q3b for ADR entities. (N=15)



A comprehensive summary of the barriers to take up of ADR entities by consumers was provided by Civic Consulting in its 2009 and 2011 reports.²²⁷ Judging from survey responses for the current study (concerning this form of redress in the Internet service provision sector), the situation has not changed dramatically in recent years. In summary, the main factors preventing take-up of ADR include:

- ▶ Lack of awareness of the entities' existence;
- ▶ No information on the procedural rules;
- ▶ Lack of trust in the entities;
- ▶ Lack of compliance by businesses; and
- ▶ The length of time it takes to resolve disputes.

²²⁷ Civic Consulting study on the use of Alternative Dispute Resolution in the European Union, October 2009 (see Section 4.4 on difficulties consumers face in obtaining redress through ADR, p. 112); and Civic Consulting (2011) Cross-Border Alternative Dispute Resolution in the European Union.

10 CONCLUSIONS AND RECOMMENDATIONS

Consumers are experiencing widespread problems in their arrangements with Internet service providers (ISPs). Our study of the functioning of the Internet access and service market in the European Union, Norway, and Iceland confirms the existence of such problems, with over a third of respondents to our consumer survey across the countries covered saying that they have experienced problems with their Internet provider over the last 12 months.

The challenge is to bring consumer expectations and actual experience with ISPs into closer alignment by improving outcomes for consumers without imposing undue financial and administrative burdens on industry. In a market based economic system, measures that can work together with market mechanisms and incentives to achieve the greatest net benefit are preferable. Indeed, a key consideration in deliberating appropriate, proportionate, regulatory responses is whether the problem to be addressed is temporary in nature and whether over time market forces will 'solve' the issue. If not, it is unlikely that incentives for ISPs to improve performance would increase without policy and regulatory initiatives.

The following sections present key findings of this study, and provide recommendations to remedy the issues identified. Although the discussion of issues and corresponding recommendations are organised into different categories, it should be noted that many of these categories overlap. So, for example, the issue of switching is addressed in a separate category but will also be influenced by issues relating to awareness raising, information disclosure, and contract terms addressed in other categories.

In making recommendations, we are conscious that not all consumers in the ISP market, or, indeed, any market, are equally engaged with the market. A proportion of consumers actively seek out the best, or at least a better, deal, whilst another, larger proportion are inactive and content to stay with their current provider. Generally speaking, active consumers are likely to benefit from the competitive process, buying better innovative services with higher quality and at lower prices. In contrast, inactive consumers may lose out if they pay a higher price for a poorer quality service than their active counterparts. A third group of consumers are those that are disempowered and unable to engage in the market, either due to lack of knowledge or confidence, or through a lack of choice. Regulation needs to be concerned with protecting the interests of this third group – the disempowered or vulnerable consumers.

Regulation also faces the challenge to remedy market problems resulting from behavioural biases. Just as informational problems may be multi-faceted, so, too, may problems that result from behavioural biases. When markets fail because of such

biases, remedies should be shaped accordingly. For example, a situation of choice or information overload could be aggravated by a requirement for more information disclosure. Rather, the appropriate intervention may involve 're-framing' the information that is available to consumers in a way that makes choice easier.

10.1 USAGE AND UNDERSTANDING OF INTERNET SERVICES AND COMPARING OFFERS

Availability of offers

Our consumer survey across 29 European countries shows significant cross-country differences in reported average prices for Internet service provision *not* accounted for by differences in connection speed or technologies.²²⁸ One potential explanatory factor is GDP per capita, as there is a strong correlation between survey respondents' average monthly bills and the GDP per capita of their countries. Additionally, the cross-country differences in reported average prices are thought to be due in part to structural market conditions (e.g. technological infrastructure and competition).

Significant structural differences in Internet service markets exist between the EU15 and EU12 Member States:

- ▶ Respondents in the EU12 are considerably less likely to rely on DSL for their connection than those from the EU15, instead relying more on cable and, especially in Bulgaria, Romania, Lithuania, and Latvia, optical fibre;
- ▶ The EU12 Member States often have faster connections in metropolitan and urban areas served by cable and optical fibre, but lower quality Internet access outside of these areas. This is reflected in consumer survey data that show for many of the EU12 Member States, particularly Romania and Lithuania, the broadest dispersion in advertised connection speeds, with the proportions of respondents having the highest and the lowest connection speeds both above average. Service provision is generally more homogenous in the EU15.

Competition and technological infrastructure are seen to have a big effect on the choice and price in different localities. Overall, spending on Internet access is similar between locations, but quality of service (as expressed in average reported speed of the connection) is lower in rural areas. Populations in rural areas tend to perceive lower availability and a narrower range of offers than populations in urban areas.

²²⁸ The reported average monthly bill paid by respondents to our consumer survey for a standalone Internet connection is highest in Norway, Luxembourg, and Cyprus (45.5, 40.3, and 37.3 Euro per month, respectively), and lowest in Bulgaria, Romania, and Lithuania (10.0, 10.2, and 10.2 Euro per month, respectively). Notably, these three countries, along with Latvia, are the ones in which respondents were most likely to have optical fibre-based Internet connections. Because bundle compositions vary between countries, the comparison of reported average monthly bills is less conclusive for bundles, although similarly high price differentials can be observed.

Consumers in rural areas and those with low connection speeds are generally less satisfied with the options available to them. The prices charged by incumbents tend to be higher than those charged by other providers: On average, consumer survey respondents across the EU spend 36.5 Euro per month on their Internet bundle or standalone Internet access; those subscribed to an incumbent provider pay, on average, over 5 Euro more per month than those with a new entrant provider. There is more opportunity for non-rural consumers to switch from incumbents to a competing provider.

This leads to the following recommendation:

Recommendation 1:

- Strengthen effective competition by technology-neutral, pro-competitive regulatory policies which lower barriers to entry and facilitate alternative communications infrastructure and providers, including broadband Internet service providers.

This recommendation is a reminder at the outset of our list of recommendations – many of which focus on problems faced by consumers – that the supply side of the market, including the degree of competition, is crucial to the delivery of good value prices, innovative goods and quality of service, including customer service. It should also serve as a reminder that consumer empowerment will benefit the competitive process because empowered consumers making efficient choices and willing and able to switch will exert pressure on suppliers to deliver the promised benefits of competition.

Consumer choice and clarity of offers

The price and speed of an Internet connection appear to be the two primary reasons influencing consumer choice of their current Internet service provider. Related findings of the study include:

- ▶ Across the EU, value for money is the reason cited by the largest proportion of respondents to our consumer survey (34%) for choosing their current provider, followed by speed of the Internet connection (26%), 'took advantage of a special promotion or offer' (23%), and strong brand recognition of the provider (20%);
- ▶ The importance of special offers or promotions is more evident in the countries in the South of Europe (Greece, Italy, Portugal, and Spain), while respondents in Cyprus, France, and Greece placed emphasis on well-known brands;
- ▶ Since value for money has been found to be a key factor in survey respondents' choice of provider, it is of interest to note that 70% of

respondents agree that their current Internet tariff/package indeed constitutes good value for money. However, more than a quarter (26%) of respondents disagrees with this statement.

Because of the importance of price and speed for consumer choice, in particular information on these features should be clear to consumers.

In our consumer survey, respondents that had compared different offers in the last 12 months were asked how clear they found the information on various different aspects of the offers. The results show that information in offers is perceived as being clearest in relation to contract duration and monthly price; connection speed and the inclusion of other services in the package are also aspects generally perceived as clear. However, clarity of information is lowest in relation to the blocking or slowing down of certain Internet services, additional costs (e.g. activation/installation and termination fees) and the use of personal data or bank details by the provider.

This ambiguous picture was confirmed when our mystery shoppers scrutinised ISP websites: They reported that 67% of evaluated ISPs provide clear information regarding the offers on their website (41% fairly clear, 26% very clear); the remainder provide unclear (25%) or not at all clear (8%) information. Mystery shoppers assessed less than two-thirds (64%) of the websites as useful in allowing them to make an informed choice. However, on as many as 36% of ISP websites the mystery shoppers did not think that they were being assisted in arriving at an informed choice. The key issue here appeared to be the absence of vital information about the offers. Most frequently, mystery shoppers mentioned that information on speed, availability, and contract terms was not provided or unclear. For these reasons, some mystery shoppers commented that the ISP websites were helpful in providing a general impression of what products the ISPs were offering, but that they would have to get in touch with the ISP, possibly by calling them, to be sure about the details of a specific offer and whether it was available for them. In some cases the mystery shoppers even noted that they thought they were being misled by the ISP websites, due to missing or hidden information, particularly about extra costs or contract terms. One mystery shopper explained an assessment of an Irish ISP in this way: *"I feel that the whole structure of the website tends more towards misleading the consumer than helping them to make an informed decision"*.

Stakeholders consulted in a separate survey point in particular to difficulties among consumers in understanding contract terms. Contractual problems and restrictions also constitute a major source of complaints. In particular, unclear additional costs such as early termination charges²²⁹ and automatically extended (roll-over) contracts

²²⁹ According to the information provided by 22 national regulatory authorities in the stakeholder survey, none of those 22 countries prohibit early termination fees. In fact, the majority of the regulatory authorities reported that in their countries the amount that Internet service providers can charge for termination fees is not currently regulated. For more details, please see Section 6.1.6 above (in particular, Table 26).

are significant sources of discontent among consumers (see detailed discussion below).

There are some geographic/demographic differences in perceived clarity of offers. For example, consumers in the EU15 tend to give relatively lower overall ratings on clarity, while consumers in EU12 Member States give higher overall ratings.

Also, survey respondents who have considered switching their Internet service provider (but have not actually done so) give consistently lower ratings than either those who have actually switched or those who have not considered switching. This suggests that people who are thinking about switching provider may fail to make a switch because they feel they are not getting clear information about different offers.

An understandable offer and contract must take into account the fact that – as our research indicates – not many consumers are highly proficient in Internet technology. The information provided by participants in the switching exercise carried out in six countries is helpful in constructing a template for a transparent Internet service provision offer. After comparing providers and then actually switching, they participated in a focus group during which they discussed their criteria for clear and transparent offers. They concluded that information on the following items should be clearly listed in the offers of ISPs:

- ▶ Price, including information on the monthly subscription price, prices of additional options, price of equipment required, price after the end of eventual promotional periods, and duration of contract in relation to the advertised price;
- ▶ Early termination fees;
- ▶ Speed, including information on both download and upload speeds and on speeds which can actually be received by customers;
- ▶ Coverage of offer (especially in the case of mobile Internet);²³⁰
- ▶ Description of each element constituting bundles (for example, concerning the number of TV channels);
- ▶ Accessibility of customer service (including means of communications used).

Switching exercise participants' experience also points to the usefulness of online tools that allow consumers to better understand which broadband speed they need.

In consultation with stakeholders (including consumer organisations), regulators could aim to improve the transparency and understandability of price and other information, including incorporating insights from behavioural economics, to make it

²³⁰ In the case of fixed-line broadband Internet, coverage of offer refers to the availability of the offer in different parts of a geographic area. For example, whereas one offer may be available throughout a country, another, perhaps using optical fibre technology, may only be available in certain cities or, indeed, certain neighbourhoods. Regarding mobile Internet, there may also be cases in which certain offers are only available in some regions of a country, but offer coverage in this context can also refer to the scope of the provider's/operator's network, i.e. whether they operate a comprehensive national network or a more limited one.

easier for consumers to compare alternative market offers. However, regulators should be wary of being over prescriptive about suppliers' terms since it is also important that product variety is maintained. This variety is necessary so that consumers can choose a product that most closely meets their preferences. Active consumers must believe a better deal is likely to be available to provide the incentive to search and switch.

In this context, regulation should encourage or introduce measures that would reduce consumer search costs, but, where possible, it should do so by incentivising providers to present offer/contract information in a clear manner rather than by directly controlling that process. Care should be exercised so that in removing ambiguity, the solution does not limit consumer choice since this can make consumers worse off if they become constrained to contracts that are inflexible and cannot be altered to fit personal circumstances.²³¹ In addition, care should be taken to ensure that ISPs' offers are not restricted such that there is less incentive to offer lower prices, greater choice, or other benefits to consumers. That is, the goal should be the clearer and possibly more standardised presentation of a full variety of offers, as opposed to achieving more clarity through the reduction or limitation of choice.

Comparison of offers

About two thirds of respondents to our consumer survey (63%) said they had compared offers for Internet provision in the last 12 months. Amongst those who did compare offers, about two thirds found it easy to do, with those respondents more experienced with Internet usage typically finding it easier than those less experienced. Significant cross country differences in the rate and ease of comparison were reported, but a significant correlation between the degree of switching and the ease with which respondents were able to compare offers is observed: Respondents who have considered switching (but have not actually done so) are much more likely to have found comparing offers complicated as actual 'switchers' or 'non-switchers'. This suggests that those considering switching have often not made a switch because of difficulties they have had comparing different offers, confirming an observation regarding clarity of offers, where 'considerers' give lower ratings than the rest of consumers (see above).

Generally it is easier to compare alternative offers made by an individual ISP than it is to compare offers between ISPs. Bundling of services can increase the difficulty of making comparisons between ISPs. This is especially relevant, as the vast majority of survey respondents in all countries, and across all age groups, receive Internet access as part of a bundle of services, with only 14% of respondents having standalone Internet access with their current provider. To improve clarity, transparency, and understandability for consumers, a number of guidelines could be adopted. In

²³¹ Armstrong, M. 2008. 'Interactions between competition and consumer policy'. Competition Policy International. Vol. 4 No. 1.

particular, common terminology on speed, data caps, traffic management could be supported, as well as general guidelines and tools that inform the consumer of the type of Internet usage that is possible with given specifications.

Behavioural economics emphasizes that consumers can suffer from 'disclosure fatigue'. When the decision making environment is complex consumers will be more likely to take short cuts such as following rules of thumb rather than assessing and comparing products. This can present an incentive for service providers to take advantage of consumer bias by increasing the complexity of consumer choice and presenting information in a way that will appeal to the rule of thumb approach. Research into the types of disclosure that consumers prefer shows that they prefer information to be as simple as possible.²³²

Behavioural research has shown that the value of information to consumers is highly dependent on when it is received and how, suggesting that information should be provided:²³³

- ▶ At a point in time that will most influence consumers' decisions;
- ▶ In an easily comprehensible format and in plain language that can allow easy comparison between available choices on the most desirable attributes;
- ▶ In a way that does not take advantage of customers' default inertia to gain advantage for the firm at the expense of consumers;²³⁴
- ▶ In a way that does not take advantage of any 'framing bias' to gain advantage for the firm at the expense of consumers.

In this context, the primary requirement in regard to customer service at the pre-sale/pre-contract stage is improvement in the quality of information available to consumers. The information provided should be 'framed'/presented in a manner that is simple²³⁵ and of value to providers and consumers, taking into account the criteria for understandable offers listed above. Consumers should be given the critical information about a product in summary before the contract is signed.²³⁶ To be meaningful, the summary of critical information about a product would need to be

²³² Better Regulation Executive and National Consumer Council. 2007. Warning: too much information can harm: an interim report on maximising the positive impact of regulated information for consumers and markets.

²³³ Xavier, P. 2011. *Behavioural economics and customer complaints in communication markets*. Report commissioned by the Australian Communications and Media Authority as part of the Reconnecting the Customer Public Inquiry.

²³⁴ Laibson, D. 2010. "Behavioural Economics and Behaviour Change". Paper presented to the 2nd European Commission Conference on "Behavioural Economics, So What: Should Policy-Makers Care?" Brussels, November 22, 2010.

²³⁵ The United States government has proposed principles for simplification of information disclosure and default which recognize the insights of behavioural economics. See Executive Office of the US President, Office of Management and Budget. 2010. Disclosure and Simplification as Regulatory Tools. 18 June.

²³⁶ In the case of sales made over the telephone, customer service representatives would be obliged to tell customers the key elements of the product (as set out in the relevant critical information summary) and send a copy of the critical information disclosure summary to the customer following the sale. If upon receiving the summary a consumer realises that the product is not suitable, the contract should be cancellable without penalty.

consumer-focused (that is, it should present only relevant information that a consumer will use to make a decision, be framed in a way that is easily understood, and be set out in a standardised format to permit easy comparison). Consumer representatives should be asked to suggest content requirements of such a document and consumer testing should be used to help ensure that the document is properly ‘framed’.

It would not be sufficient if such a document was available to consumers only upon request. Not all consumers would be aware that such a document is available or understand its significance and potential benefit. So that service providers have an incentive to provide the summary of critical information, failure to provide this prior to entering into a contract should enable a consumer to exit the contract without penalty.

In addition, cooling-off periods can be used to allow consumers to re-frame their choices and to give them an opportunity for rational re-consideration to overcome the influence of impulsive choice,²³⁷ such as those resulting from ‘hyperbolic discounting’.²³⁸

Poor product choice resulting from inadequate/misleading information and complex products and services tend to have a disproportionately adverse impact on vulnerable, disadvantaged consumers.²³⁹ Therefore the design of information disclosure should have the disabled²⁴⁰ and vulnerable in mind, especially because

²³⁷ The Directive on Consumer Rights (2011/83/EU) provides for a 14-day right of withdrawal for service contracts (the withdrawal period begins with the conclusion of the contract) and sales contracts. Transposition of the new rules included in the Directive on Consumer Rights into national laws is required by 13 December 2013, the rules will be applied in all Member States by 13 June 2014 at the latest, and the provisions of the Directive will apply to contracts concluded after 13 June 2014.

²³⁸ Hyperbolic discounting refers to the behaviour of discounting at a higher rate over short time frames than over long ones. In other words, under hyperbolic discounting, valuations fall very rapidly for short delay periods, but then fall slowly for longer delay periods. A practical example is the offer of 5 Euro today or 6 Euro tomorrow. Under hyperbolic discounting, a person would prefer to receive 5 Euro today instead of 6 Euro tomorrow, whereas if the same person were offered 5 Euro in 1 year or 6 Euro in 1 year and 1 day, the person would likely opt to wait for 1 year and 1 day.

²³⁹ According to a 2011 Eurobarometer, European consumers who are the most “vulnerable in terms of limited empowered redress behaviour” are “those who never used a computer, interviewees who don’t use the Internet and widowed persons”. These consumers are the least likely to “to take action in case of consumer detriment” and to obtain redress from traders. The second group (in decreasing degrees of vulnerability) are the “oldest age group of fifty-five and up, the least educated who left school at the age of fifteen or earlier, and retired persons”. All these groups say that they would never complain to Court or an ADR scheme. Furthermore, those who experience frequent difficulty with paying their bills, or place themselves low on the social ladder, and Europeans with a different mother tongue than that of their country of residence, share a lower chance of obtaining satisfactory redress from the provider of a good or service. The third group includes the youngest respondents (15-24 years old) and Europeans born outside the EU. See European Commission. 2011. *Special Eurobarometer 342: Consumer Empowerment*.

²⁴⁰ Indeed this is required by Article 23a of Directive 2002/22/EC as amended by Directive 2009/136/EC. This Directive stipulates the following regarding ensuring equivalence in access and choice for disabled end-users: “1. Member States shall enable relevant national authorities to specify, where appropriate, requirements to be met by undertakings providing publicly available electronic communication services to ensure that disabled end-users: (a) have access to electronic communications services equivalent to that enjoyed by the majority of end-users; and (b) benefit from the choice of undertakings and services available to the majority of end-users. 2. In order to be able to adopt and implement specific arrangements for disabled end-users, Member States shall encourage the availability of terminal equipment offering the necessary services and functions.”

disclosure that does this will benefit other consumers as well since most, if not all, consumers want simplified, better presented, information.

There is particular necessity to assess the needs and motivations of consumers, especially uninformed and vulnerable consumers, in more detail to ascertain what, if anything, would encourage more participation in electronic communications markets. This would assist consideration of whether, and if so, what regulatory (and other) intervention is warranted. Consumer education and awareness should be enhanced through better (not necessarily more) information. Regulators could provide product information that is not in the ISPs' interest to provide, or could oblige ISPs to provide such information. Government/regulator publication of more regulatory data regarding ISP performance could serve to provide an incentive to drive best practice customer service behaviour by service providers, including through concerns about 'benchmark competition' and 'reputational impact'.

This leads to the following recommendation:

Recommendation 2:

- Advertised offers made by ISPs and contract terms and conditions must be understandable and clear, including clarity regarding connection speed, prices, billing, contract terms and any additional charges payable. Advertised offers should also be presented in a way that facilitates comparison between different offers.
- Require that ISPs provide consumers with the important information about a product in summary form before the contract is signed. Especially important is the clear presentation of information on pricing and on what components the service does and does not include.²⁴¹
- Give special attention to the information needs of disabled and vulnerable customers, also considering that simplified, better presented information would likely benefit other consumers as well.

Price comparison websites

The research conducted for this study has shown that comparison websites (CWs) for Internet service provision are less frequently available than comparison websites in other areas, such as products. In 17 of the 29 countries subject to this study fewer than 5 relevant CWs were identified at the time of research (in 7 countries, no relevant

²⁴¹ The Directive on Consumer Rights (2011/83/EU) mandates the provision of pre-contractual information (see Chapters II and III of the Directive). Notably, this includes "the main characteristics of the goods or services, to the extent appropriate to the medium and to the goods or services", as well as, "the total price of the goods or services inclusive of taxes, or where the nature of the goods or services is such that the price cannot reasonably be calculated in advance, the manner in which the price is to be calculated". As noted in a footnote above, transposition of the new rules included in the Directive on Consumer Rights into national laws is required by 13 December 2013, the rules will be applied in all Member States by 13 June 2014 at the latest, and the provisions of the Directive will apply to contracts concluded after 13 June 2014.

CWs were identified during the research period). The absence of comparison websites in some markets and a lack of knowledge of their availability are reflected in the results of the consumer survey: Just 46% of respondents say they have ever used a comparison website for this purpose. Around a third of all respondents (32%) report that they don't know of a comparison website for Internet service offers (26%), or don't know what a comparison website is (6%). Consumer survey respondents who have used a comparison website to compare offers from different providers describe their experience in most cases in positive terms. However, one in ten CW users (9%) experienced that offers found were not up to date or complete. In comparison, the highest ranked negative item in a similar question asked for a previous study on price comparison websites for e-commerce in goods was chosen by only one in thirty PCW users (3%).²⁴² This could indicate that consumers' experience with comparison websites in the Internet service provision market compares unfavourably with the experience consumers have with similar tools in other markets.

Significant shortcomings of comparison websites are confirmed by the mystery shopping exercise conducted for this study, which provides an in-depth look at the functionality and associated usefulness of comparison websites. Key findings include:

- ▶ The evaluation of 81 comparison websites in 22 countries indicates that in many cases CWs do not appear to be providing consumers with reliable or trustworthy information on which they can make informed decisions. Only 41% of CWs were rated by mystery shoppers as helpful in allowing an informed choice;
- ▶ The vast majority of CWs provide consumers with little or no information about how they select ISPs, how often they check offers or prices with ISPs, how their revenue is generated and in what ways that may impact on the presentation or selection of offers by the CW, or if they comply with any accreditation scheme or industry code of conduct in their operations;
- ▶ As might be expected, on those performance aspects for which mystery shoppers made identical comparisons of both ISP and comparison websites, their ratings were positive for a significantly larger proportion of ISP websites than comparison websites. This denotes that the comparison of often similarly presented offers from the same providers is easier than cross-provider comparisons, though the documented ability of some CWs to provide clear cross-provider comparisons indicates that this is possible;
- ▶ Overall, CWs run or accredited by regulatory authorities were more favourably assessed by mystery shoppers than non-regulator CWs; however, the sub-sample of regulator-run or accredited CWs comprises only 10 websites, which limits the strength of any associated conclusions.

²⁴² Civic Consulting. 2011. *Consumer market study on the functioning of e-commerce and Internet marketing and selling techniques in the retail of goods.*

To address problems identified by this study, rules for CW practices could be developed. These could initially take the form of best practice guides or a European code of conduct which could be voluntarily adhered to through self-regulation. A dialogue between interested parties at EU level could discuss approaches for improvement of standards for comparison websites and other intermediaries that are used for searches products and services, building upon ongoing discussions between policy makers and providers of comparison websites at EU level.²⁴³

Consumers should have access to information to help them choose effectively. Reliable online price comparison tools can help consumers in selecting the best deal. The EU12 Member States, in particular, should promote comparison websites to increase awareness of availability. Results of our mystery shopping exercise indicate that regulators may have a role to play in this. The share of comparison websites run or accredited by regulators that are assessed positively by our mystery shoppers is significantly higher than with non-regulator CWs: When assessed on their usefulness in allowing an informed choice, 70% of regulator-run or accredited sites were assessed positively, compared to just 37% of non-regulator CWs.²⁴⁴

This leads to the following recommendation:

Recommendation 3:

- It is recommended that national regulators maintain efforts to improve the quality of information that intermediaries such as comparison websites provide to consumers, and consider establishing accreditation systems for comparison websites for Internet service provision. Where no comparison website exists, the regulator could itself provide one.

²⁴³ For example, the European Consumer Summit in Brussels on 29 May 2012 included a workshop on comparison tools, with which the European Commission aimed to address the issue of transparency and reliability of information intermediaries through a direct dialogue with stakeholders (see 'Workshop on comparison tools' at <http://www.european-consumer-summit.eu>).

²⁴⁴ Please note the following caveats for this conclusion: The sub-sample of regulator-run or accredited CWs is composed of only 10 websites, which limits the strength of conclusions that can be drawn (the sample of websites with no regulator involvement comprised 71 websites). Of the seven websites that were rated most positively by mystery shoppers regarding their usefulness in allowing an informed choice, only two were regulator-run or accredited. The problem therefore appears not to be that non-regulator websites cannot be useful in allowing an informed choice – it is just that in the category of CWs without regulator involvement or approval a large number of websites is rated so badly that the positively assessed 'good websites' are outnumbered. This points to the need for accreditation schemes that may contribute to 'weeding out' the worst websites.

10.2 SWITCHING

The benefits of switching

The ability and willingness of consumers to switch service provider easily and with confidence is critically important in harnessing competitive pressure to help improve customer service. If switching is difficult, costly, discouraged or impeded, customers would be 'locked in' and this would limit the incentive/pressure on service providers to provide best practice/improved customer service in order to dissuade customers from migrating to another supplier.

The benefits of switching are considerable: In the consumer survey, respondents saved money by switching reported average savings of 14.7 Euro per month across the EU27 since switching provider, with little variation by age group and speed of connection, but a significant difference between those who have broadband access as a standalone product (11.5 Euro) and those who have it as part of a bundle (15.0 Euro).²⁴⁵ The average amount survey respondents report saving per month varies substantially by country: the highest amount is in Cyprus (23.7 Euro per month), while the lowest amounts are in Bulgaria, Romania, Lithuania, and Latvia. Respondents in the latter countries experience lower absolute savings from switching at least in part because they pay significantly less for their Internet connections.

To assess accumulated savings that European consumers could obtain by switching provider, this study presents the results of an in-depth economic analysis. It provides a monetary quantification of the consumer welfare gains that could be achieved if consumers in the countries subject to this market study switched their Internet service provider. The assessment exclusively identifies the monetary gains achievable by switching to the same type of package, with the same or higher advertised speed range, offered at a lower price. Savings are calculated on the basis of price data in the BIAC database, which is the most complete available dataset on prices offered by ISPs. It provides price data for a total of 3,214 offers from those ISPs that provide broadband services to 90% of consumers with Internet access in each of the 29 domestic markets relevant for the study.²⁴⁶ The analysis has yielded aggregate figures for all EU27 countries, plus a final sum, but it also provides average yearly savings at the household level for each of the countries. It includes the savings for all components of a bundle, as it is not possible to separate the cost of the Internet connection from other service components. *In aggregate, we estimate that consumers in the EU27 Member States could save between 7,289.5 million Euro and 8,606.7 million*

²⁴⁵ This figure is based on the three quarters of survey respondents that reported saving money by switching provider (in the EU average). Small proportions of respondents indicated that they now pay more (6%), about the same (11%), or cannot compare the two monthly bills because the packages are different (8%).

²⁴⁶ Broadband Internet Access Cost (BIAC) database prepared for the Directorate General for Communications Networks, Content and Technology (DG CONNECT) of the European Commission, data as of 02/2011. Available at: https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/study_broadband_access_costs.pdf

Euro per year by switching from their current provider to the provider offering the cheapest tariff for the same service elements. This is equivalent to average household savings of between 105.3 and 123.2 Euro per year when switching provider, or 8.8 to 10.3 Euro per month.

This estimate is conservative in nature. If there is generally a downward trend in prices for Internet provision then one may expect existing customers to be paying a higher price than the new subscriber price identified in the BIAC database used for the analysis. Therefore, the gains from switching may be larger than we have calculated, because many existing customers may switch from a higher price point. Also not considered are the potential non-monetary welfare gains that consumers could achieve by obtaining better services (such as a faster connection) for the same price.

The following sub-sections detail the results of this study that provide some insight as to why most European consumers currently do not make use of this potential benefit of switching their Internet provider.

Switching behaviour

Key findings of the study on the behaviour of European consumers regarding switching ISP include:

- ▶ Across the European Union, only about 10% of households have changed their Internet service provider, according to Eurobarometer data;²⁴⁷ the highest switching rate is seen in Finland, while the lowest reported rate is in Hungary;
- ▶ Our survey results show that the proportion of switchers is higher in metropolitan areas than in rural zones or villages and that age also appears to have an effect on switching, with more people over the age of 55 identifying themselves as 'non-switchers' than in the three other age categories;
- ▶ Survey respondents who switched are more likely to have had standalone Internet access with their previous connection (22%) than with their current connection (12%);
- ▶ A significant proportion (44%) of respondents have switched tariff or package with the same provider; and it appears the threat of switching is being used to negotiate a better price (19% of 'considerer' respondents indicated that they have not switched because they want to see if their ISP offers a better deal first);

²⁴⁷ Due to the online survey methodology employed for our consumer survey, which likely sampled switchers at a higher rate than other survey methodologies would (because online respondents are more likely to be savvy Internet users and have switched provider), we have made reference to relevant Eurobarometer data to identify the percentage of switchers in each country. However, our survey results do provide relevant insights to the socio-demographics of switching behaviour and other details.

- ▶ The driver of switching most often cited by survey respondents is price: 46% of respondents who had switched identified the availability of a lower price as a reason for changing provider;
- ▶ A second key driver is connection speed: 28% of switchers responding to the survey indicated that a 'slower than it should be' connection speed with their previous provider served as an impetus to switch provider;
- ▶ The principal barriers for those respondents who considered switching but did not switch were the expected direct costs of switching, in particular a penalty for leaving their current supplier or additional fees for switching; reluctance to leave a 'known' company; and lack of time/ difficulty in comparing offers;
- ▶ The two main reasons why survey respondents did not even consider switching are satisfaction with their current provider and a belief that that provider offers them the best value for money.

The switching process

The study also examined the switching process itself, specifically formal switching arrangements employed across the EU, the assessed ease of the process, and problems experienced by those who have switched. To understand consumer experiences regarding switching better, the consumer survey was complemented by an exercise conducted in six countries (Bulgaria, Germany, Poland, Spain, Sweden, United Kingdom), in which consumers switched their Internet service provider. The key findings are that:

- ▶ Half of consumer survey respondents across the EU report that their new provider arranged the switch for them; around a third of respondents organised the switch themselves;
- ▶ On average, survey respondents across the EU spent 2.5 hours of personal time on the switching process; the average time spent was longer for younger respondents and those using the Internet at home for business purposes, and those with a bundle generally spent longer than those with standalone access;
- ▶ The vast majority of survey respondents who had switched provider regarded the process as very or fairly easy, with only 10% indicating they found it difficult.

The positive assessments of consumers regarding the ease of switching are contrasted by the view of some of the regulators interviewed for this study, who regard the switching process as bureaucratic and inconsistent. Our stakeholder survey asked national regulatory authorities (NRAs) to identify any issues associated with switching that in their view act as a barrier to changing provider. Twelve of the twenty NRAs that responded to this question indicated they have observed such

issues, including “difficulties of a technical or factual nature”, as one NRA put it. In fact, both the consumer survey and the switching exercise revealed that around half of those that switched providers experienced problems. This grounds regulators' concerns about barriers to switching in the consumer survey and the switching exercise by confirming the existence of problems cited by the regulatory authorities – many switchers experience such problems but they still overwhelmingly see switching as easy, thereby separating the switch from the problems experienced. In more details, problems are reported as follows:

- ▶ Almost half (44%) of respondents in the 'switcher' sub-sample report experiencing problems of some kind when switching provider; problems were more likely to be reported by younger people, those in metropolitan zones and those using their connection for business purposes;
- ▶ Similarly, about half the participants in the switching exercise experienced problem(s) when switching provider, with the most frequently mentioned problems relating to a significant interruption in connection, technical difficulties, and cancellation of the contract with the old provider;
- ▶ A quarter of consumer survey respondents who had switched reported experiencing no connection interruption; where there was an interruption, on average respondents were without Internet access for 4.7 days;
- ▶ In countries where DSL is the main infrastructure, survey respondents tend to have experienced a longer service interruption when they switched provider.

In spite of the experienced problems, consumer survey respondents reported a high level of satisfaction with switching: 80% of those who had switched were satisfied with the outcome, with satisfaction levels being generally consistent across different EU Member States. The survey also indicates that respondents with post-switch connection speeds above 12 Mbps were more satisfied than average, while those with lower speeds were less satisfied. These results are largely consistent with the results of the switching exercise. In this exercise, more than two thirds of the participants reported they were satisfied that they had switched their provider, though in contrast to the consumer survey results this ratio differed significantly by country. Where participants were not satisfied, the following problems had occurred: loss of connection for a significant duration; technical difficulties with new service; charges billed for the new connection before it became functional; and non-transferable email accounts.

Problems with switching confirmed by this study have already drawn the attention of regulators and their EU body, BEREC (Body of European Regulators for Electronic Communications), for some time. BEREC has done considerable work on consumer switching behaviour and has published a document proposing best practices in switching regulation. BEREC recommended “minimisation of unnecessary switching costs/barriers, both for individual services and for bundles, so that there should be

minimal effort on the part of the consumer in order to switch”,²⁴⁸ respecting, inter alia, the following principles:

1. The overall switching process should be as quick and reliable as possible, with a specified maximum time.
2. Consumers should be responsible for the beginning of the switching process and should be made aware of its conclusion.
3. Consumer involvement should be no more than necessary in order to ensure that the burden of switching is not unduly onerous.
4. The switching process should be seamless and invisible to the consumer.
5. Conditions and procedures to terminate contracts should not act as a disincentive to switching.
6. Consumers should be able to transfer more than one service at a time. This is particularly relevant in the context of switching to, from and between, bundled services.
7. In this context, the most effective method of facilitating switching between service providers, based on the available evidence, is where the process is managed by the new service provider as the primary contact point (Gaining Party-led).²⁴⁹

The regulator of the UK telecommunications sector also has conducted extensive research into consumer behaviour in telecommunications markets, including switching behaviour.²⁵⁰ Ofcom’s work emphasizes that for switching processes to be effective the consumer must understand them and find them easy to use. Improvements in switching can occur in a number of ways including by:²⁵¹

- ▶ Simplifying the process so that consumers are not confused by different methods of switching;
- ▶ Simplifying the switching process so consumers do not have to contact different providers when moving to a bundle;
- ▶ Ensuring that all providers can compete so consumers can continue to benefit from innovation, choice and value for money;
- ▶ Addressing technical problems when switches take place, which currently can lead to the wrong line being switched and consumers losing service;

²⁴⁸ BEREC. 2010. *BEREC report on best practices to facilitate consumer switching*. BoR (10) 34 Rev1. October. P. 69.

²⁴⁹ BEREC. 2010. *BEREC report on best practices to facilitate consumer switching*. BoR (10) 34 Rev1. October.

²⁵⁰ See for instance Ofcom. 2011. *The Consumer Experience 2011*. This summary is based on Xavier, P. 2011. *Behavioural economics and customer complaints in communication markets*.

²⁵¹ This list is a compilation of suggestions made by Ofcom and the Council of European Energy Regulators (see ‘Making it easier to change telecoms provider’ at Ofcom: <http://media.ofcom.org.uk/2012/02/09/making-it-easier-to-change-telecoms-provider/> and Council of European Energy Regulators. 2012. *Electricity and Gas Retail market design, with a focus on supplier switching and billing: Guidelines of Good Practice*).

- ▶ Ensuring that consumers have accurate information on the implications of switching so that they can make informed decisions on whether to change providers;
- ▶ Protect consumers from slamming²⁵² through, for example, ensuring that switches are verified by an independent third party;
- ▶ Allowing switching to be executed as quickly as possible, data exchange between market actors during switching, moving, billing etc., to be in a standardised electronic format; and
- ▶ Ensuring that no market actor is able to stop an initiated switch.

The observed problems with the switching process and the possible improvements that have been identified by regulators lead to the following recommendation:

Recommendation 4:

- Make switching quicker, easier and cheaper to strengthen incentives for service providers to deliver improved performance, including better customer service.

Contractual barriers to switching

A number of potential barriers to switching relate to contractual arrangements between consumers and their provider, which concern the duration of fixed-term contracts, the charging of fees for early termination, and the automatic extension of contracts. The relevance of all three potential barriers has been explored in this study.

Early termination charges (ETCs)

Early termination charges refer to the fees that ISPs impose on customers when they terminate their service agreements before the end of the contract period. There were many complaints about ETCs reported by stakeholders. Article 30 of the Directive 2009/136/EC,²⁵³ which sets rules for facilitating a change of provider, places an obligation on Member States to ensure "that contracts concluded between consumers and undertakings providing electronic communications services do not mandate an initial commitment period that exceeds 24 months. Member States shall also ensure that undertakings offer users the possibility to subscribe to a contract with a maximum duration of 12 months." This obligation has been, or is being, implemented by all Member States. The stakeholder survey asked national regulatory authorities for the most frequently used contract duration in their country. Of those

²⁵² In the context of the Internet service provision market, the term 'slamming' refers to switching consumers to a different provider without their consent.

²⁵³ Directive 2009/136/EC of the European Parliament and of the Council of 25 November 2009 amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services, Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sector and Regulation (EC) No 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws.

NRAs that provided a definite answer, 10 identified the most frequently used contract period as 12 months and 7 reported it as 24 months.

Thus consumers liable to incur a charge for early termination of a contract could – in the worst case – find themselves with up to 24 months of fees to pay. It is of course unlikely, however, that a consumer would switch immediately after signing up with a new provider. In some countries national regulations limit the maximum allowed termination fee. For example, the Italian regulatory authority identified the maximum fee in that country as 45 Euro, while in Malta the reported limit is 90 Euro. Regulatory authorities responding to a specific stakeholder survey question also noted the ‘most frequently used termination fees’. In Italy the amount was identified as 35 Euro; in France 50 Euro is a commonly used termination fee; and in Latvia the commonly assessed fees range from 50 to 100 Euro according to the national regulatory authority. Thus, in some countries the actual fee assessed for early termination may be significantly lower than the maximum allowed (which can be the full fee for the remainder of the contract period, i.e. the monthly fee multiplied by the number of months remaining).

If termination fees are significant they may, in combination with other concerns, be an effective barrier for potential switchers. This was highlighted by our switching exercise in Sweden, where it proved highly difficult for the implementing organisation to recruit consumers who were willing to switch their provider, although participants were offered compensation for their efforts in documenting the switch. This was caused by a variety of factors, including termination fees, the complexity of bundled products and counter offers by the current provider once participants had revealed that they were considering switching.

To better understand the incentive situation of an average household, this study calculated the financial cost of time spent on switching using consumer survey data on personal time spent on the switching process and wage and working hours data from Eurostat. Taking the average for all countries of personal time spent on switching (2.5 hours), we identified the average time cost for each individual as 31.9 Euro, assuming the switching efforts were made during work time, and 9.6 Euro if they were made during leisure time.²⁵⁴ Compared to these costs are the average annual household savings associated with switching Internet provider that have been calculated in our economic analysis as being on average between 105.3 and 123.2 Euro per household (see above). In other words, *our EU27 results estimate first year net savings of switching provider at between 73.4 Euro and 113.6 Euro per household*. These net savings do, however, not include any additional costs of switching such as

²⁵⁴ There is considerable variation around the average based on the country-specific values for work and leisure time, as well as the differences in the numbers of personal time hours required by the switching process. The calculated switching costs range from between 17.4 and 57.8 Euro in Luxembourg to between 0.8 and 2.7 Euro in Bulgaria. Other countries with relatively high switching costs include Belgium (11.0 to 36.5 Euro), Denmark (11.1 to 37.1 Euro), Germany (12.0 to 39.8 Euro), Ireland (13.8 to 45.9 Euro), the Netherlands (10.9 to 36.3 Euro), and the UK (14.3 to 47.6 Euro).

termination fees that may be due. It is obvious that termination fees that are falling in the 40 Euro to 100 Euro range (or sometimes higher) limit the financial incentive to switch considerably, especially if consumers only make a first-year cost-benefit analysis.

A related problem is that termination fees are often not transparently communicated: According to the assessment of our mystery shoppers, 72% of ISPs provided no indication of whether fees would be imposed for early termination of the contract. Only on 22% of ISP websites could mystery shoppers find such information (9% easy to find, 13% difficult to find). On a further 6%, the information provided was unclear.

It is therefore essential that ISP contracts make clear any and all termination charges a consumer will face at the end of the contract and if the contract is terminated early. Any attempt by an ISP to levy, or to threaten to levy, charges that are not clearly stated in the contract should be punishable by a fine. Likewise, any other attempt to obstruct switching by non-contractual means should be punished by the regulator. However, this should not prevent the ISP using legitimate means to keep an existing client, for example by offering improved service conditions.

Reasonable termination fees are acceptable to allow ISPs to defray costs. However, in some countries consumers terminating their contract before expiry are charged full payment for the remaining contract period (e.g., monthly fee multiplied by the number of months remaining).²⁵⁵ This is obviously a barrier for switching, especially in case of bundled contracts. In other cases, national regulators negotiate or set a maximum termination fee.

This leads to the following recommendation:

Recommendation 5:

- It is recommended that national regulators negotiate or set maximum termination fees that are reasonable and do not become a barrier to switching provider.
- ISPs' contracts should make clear any termination charges a consumer will face at the end of the contract and any charges if the contract is terminated early. Any attempt by an ISP to levy, or to threaten to levy, charges that are not clearly stated in the contract should be punishable by a fine.

Contract duration

The contract duration insisted upon by ISPs is an issue generating a considerable number of complaints. The maximum contract period for current subscriptions for broadband is at present often 24 months (see above) and there are concerns that this is too long and presents a problem for consumers.

²⁵⁵ Please see the 'Switching' section of this report for a fuller discussion of these issues.

A fixed contract term allows the provider to set a lower price at the start of the contract, for example in the form of a discount for the first few months and/or free equipment, and to recover that discount over the whole contract term. This may lower some perceived barriers to switching, such as the need to purchase new equipment, if a provider with a different access technology is chosen. The extent to which contract periods serve as a barrier to switching depends on the penalty for early cancellation and the length of the contract.

Our mystery shoppers found that almost half the ISP websites surveyed (47%) provided information on contract duration that was clear and easy to find. A further 16% of ISPs provided clear information that was difficult to locate, while on 7% of ISP websites, the information provided was unclear. Sometimes information on contract duration was not provided in the main offer description but located in small print at the bottom of the page, on separate pages or in PDF documents (such as a price list, terms and conditions, product description, etc.). On 30% of ISP websites, our mystery shoppers could not find information on the contract duration of the assessed offer. On some ISP websites there was an option to select from a variety of different contract lengths (e.g. no specified period, 6 months, 12 months, etc.). According to mystery shoppers' comments, in some of these cases extra costs were incurred for choosing a shorter contract period. However, it is pertinent to note that in the consumer survey we conducted, 32% of respondents who had considered switching said that shorter contracts would be helpful in making it easier for them to switch.

A 6-month maximum term that a provider may stipulate in a contract (or a non-fixed term extension contract terminable at any time as already exists in some countries) seems especially suitable when the contract is a renewal contract where the customer wants an extension of an existing contract without wanting new conditions or (subsidized) equipment.

This leads to the following recommendation:

Recommendation 6:

- In our consumer survey, one of the facilitators to switching most frequently indicated by respondents was a shorter contract duration. To facilitate switching, it is therefore recommended that the maximum duration of ISP contracts be as short as possible.²⁵⁶

Automatic extension of contracts

Automatically renewable contracts (expiring contracts that automatically extend to a new contract period unless the customer actively opts out of the renewal) are sometimes perceived as being unfair because they may lock consumers into

²⁵⁶ Article 30 of the Directive 2009/136/EC sets an upper limit for initial contractual periods at 24 months.

prolonged contracts unless they actively 'opt out'. EU consumer protection directives²⁵⁷ do not prohibit the concept of automatically renewable contracts. National contract law or regulators may impose constraints. For instance, Ofcom has prohibited automatic renewal of contracts.²⁵⁸ Also, in some cases fixed period contracts may roll over into non-fixed term contracts terminable at any time.

Behavioural economics warns that consumers have a strong tendency to choose the 'default' option. This would mean some consumers having their contracts renewed without actively making a conscious decision that they wish to do so. To overcome this bias, the default for renewal of an Internet/bundle contract could be 'reset' through the use of a mandatory 'opt in' default provision (rather than an 'opt out' default).

A related problem is the lack of transparency of ISPs concerning this issue: Only 18% of ISPs provided information on the automatic extension of contracts when our mystery shoppers assessed a prominently advertised offer. In less than half of these cases was the information clear and easy to find (8% of total), while in the remaining cases it was either difficult to find (5%) or unclear (5%). On 82% of ISP websites, the mystery shoppers could not find information about the automatic extension of contracts. On those ISP websites where the information was provided that the contract would be automatically extended, this was sometimes found in a separate document, such as the terms and conditions. Some ISPs, however, made this information clear and easy to find. In particular, when ISPs do not practice automatic contract extension, it appears from mystery shoppers' comments that this is advertised fairly prominently.

This leads to the following recommendation:

Recommendation 7:

- Automatically renewable contracts may lock consumers into prolonged contracts unless they actively 'opt out'. It could therefore be considered to reset the 'default' so that the contract would lapse unless the customer actively 'opts-in' by registering a decision to renew the contract. Alternatively, contracts could roll over into non-fixed term contracts terminable at any time, after the contract period expires.²⁵⁹

²⁵⁷ Specifically, neither the 2005 Unfair Commercial Practices Directive nor the 1993 Unfair Contract Terms Directive.

²⁵⁸ See 'Statement published 13/09/11'. Available at Ofcom: <http://stakeholders.ofcom.org.uk/consultations/arcs/statement>.

²⁵⁹ In cases where existing contracts are subject to automatic renewal ISPs should be required to send a series of warning messages specifying the approaching contract end date, as well as the date by which the customer would need to 'opt-out' in order to avoid automatic renewal to affected consumers. This could be done through simple, inexpensive, yet effective means, e.g. by email or SMS.

10.3 CONSUMER PROBLEMS AND COMPLAINTS

Types of problems and complaints

As indicated before, across the EU over a third (37%) of respondents to our consumer survey report that they have experienced problems with their Internet provider during the last 12 months. The incidence of problems is higher for respondents in the EU12 than in the EU15; and, among the EU15 Member States, the reported incidence is higher for the countries of Greece, Italy, Portugal, and Spain than the remaining EU15 Member States, plus Iceland and Norway. The incidence of problems among respondents subscribed to an incumbent provider and those subscribed to a new entrant provider are nearly identical.

In regard to the issues consumers mostly complain about in regard to ISPs, technical issues were ranked foremost. The most common types of problems reported by consumer survey respondents are:

- ▶ Interruptions to the Internet connection, which are experienced by 60% of respondents who had a problem with their provider;
- ▶ Slower than advertised connection speed (41%); and
- ▶ Blocking or slowing down ('throttling') of services (22%);
- ▶ In addition, there were problems with poor customer service (26%) and slow service repair times (23%); and
- ▶ Bills with errors (12%) and unclear bills (10%).

Information obtained through our survey of stakeholders (such as NRAs, consumer organisations, ADR entities, ISPs and others) is consistent with these consumer survey results: on average, technical issues were ranked as those for which the organisations receive the most frequent complaints from consumers, with billing problems reportedly leading to the next highest level of complaints, followed by contract issues and commercial practices/transparency of offers.

Consumer detriment in the Internet service provision market

As a result of problems experienced with their Internet provider, consumers may suffer detriment because they cannot access and use their Internet service in a way that meets their reasonable expectations, and/or because they spend time solving problems. This study provides a quantitative estimate of both these elements of consumer detriment, and comes to the conclusion that the problems experienced by consumers cause significant detriment. The approach used is to effectively take a one-year 'snapshot' of the percentage of households experiencing problems and the personal time spent trying to solve them, plus the connection downtime that resulted. Detriment experienced is valued in the following way: A day of Internet connection lost is valued at 1/30th of the average monthly price of the connection.

The consumer detriment associated with the time spent on solving problems with the ISP is assessed by using estimates of the time lost to solve problems, as reported by respondents to the consumer survey, and by applying a value to this time 'forgone'. *In regard to consumers subscribing to standalone Internet access our estimate of annual detriment is between 122.1 million Euro and 368.5 million Euro for the EU27. For consumers subscribing to bundles, annual detriment is estimated at between 1,239.0 million Euro and 3,528.0 million Euro. The total annual consumer detriment is estimated at between 1,361.1 million Euro and 3,896.5 million Euro.* This one-year estimate is conservative since the interruption of an Internet connection due to problems experienced can lead to other costs, which we have not considered (such as the costs consumers may bear for alternative access to the Internet). Finally, we have not considered the distress arising from problems and the efforts to solve them, which is an important – but difficult to quantify – component of consumer detriment.

Encouraging best practices to prevent or mitigate consumer problems

One option to reduce consumer detriment at a systemic level is through encouraging codes of practice that outline approaches to prevent or mitigate problems experienced by consumers, and to which ISPs could subscribe. When effectively enforced, industry codes of practice can be valuable as a complement to regulatory rules. But where compliance is not effectively enforced, the codes will be seen as weak and confidence in them eroded. Regulators should seek to encourage codes of practice that provide consumer protection, but there should be evidence/confidence that industry will demonstrate a commitment to comply with a code. And strong incentives would have to be installed for service providers to comply with code. Those who sign up to the code and commit to its provisions could be 'accredited' publicly in a manner that would commercially advantage them in the market. Such commercial advantage is more likely if consumer decisions are influenced by the code. There would be more prospect of this if a succinct summary of the code is freely available in stores etc., with links provided to websites that could provide more details regarding the code. Publicity that praises service providers delivering good customer service performance/code compliance could also increase the incentives/rewards involved.²⁶⁰

This leads to the following recommendation:

Recommendation 8:

- Enhance consumer protection through codes of practice supported by strong incentives to comply and compliance monitoring.

²⁶⁰ Xavier, P. 2011. *Behavioural economics and customer complaints in communication markets.*

Topics that should be addressed by a relevant code of practice or, if needed, by regulatory measures, include several areas that are discussed in more detail in the following sub-sections.

Broadband speed, interruptions and 'throttling'

The difference between advertised quality (e.g. 'up to' speed, coverage) and actual quality of service was a prominent consumer complaint issue. Some national regulators have conducted considerable research into broadband speeds. For example, the UK regulator Ofcom found that actual speeds are significantly slower than advertised speeds.²⁶¹ A similar study measuring actual broadband speeds is ongoing at EU level, but at the time of finalising this report, results were not available yet. The consumer survey we conducted suggests that many consumers in a wide range of EU countries have experienced this disparity between actual and advertised speeds.²⁶²

Broadband is a complex service, subject to a variety of technical factors, which cause actual speeds for individual users to vary, at sometimes significantly. Actual broadband speeds depend on the individual user's circumstances in regard to a number of factors. Some are factors that an ISP can control, such as line length, the technology used and levels of investment in network capacity. But there are other factors that it cannot control, such as the time of day, type of download, computer set up, internal wiring, and the type and number of devices used. Thus actual broadband speeds are highly dependent on the individual user's circumstances. Accordingly, it may not be possible to advertise one exact figure that all customers can expect to receive. This is especially the case for DSL and mobile services. But this does not make it impossible to give consumers more clarity including a reasonable indication of what speeds they are likely to attain and also minimum speed rather than just maximum speed. Consumer understanding of the complex nature of such services will be facilitated by the provision of appropriate information to manage their expectations.

Also affecting broadband speed is use of 'throttling' to manage heavy bandwidth use.²⁶³ According to one report 'throttling' is widespread and was detected in about 32% of worldwide tests.²⁶⁴ The report suggests Internet speeds differed by up to 69% between evening and early morning use. In another study on this topic, which was based on questionnaire responses submitted by 266 fixed-network providers,

²⁶¹ Ofcom. 2010. *UK fixed broadband speeds: The performance of fixed-line broadband delivered to UK residential consumers*.

²⁶² Please see Section 8 on 'Consumer problems and complaints' for more information.

²⁶³ There is a major controversy over 'net neutrality' related to this issue which is outside the scope of our study.

²⁶⁴ O'Brien, K.J. 2011. "Putting the Brakes on Web-Surfing Speeds", New York Times, 13 November.

BEREC²⁶⁵ found that 49 (or 18%) applied some level of restriction (blocking or throttling) on peer-to-peer traffic, while just 2 did so for VoIP traffic, and 10 did so for 'other specific traffic'.

In the UK, Ofcom has developed a voluntary code of practice on advertising of broadband speeds²⁶⁶ to help ensure that ISPs provide consumers with a better expectation of the speed they are likely to receive in practice. In Portugal, in a determination of 10 October 2011, Anacom approved a final decision concerning the level of quality of service provided and prices in order to ensure that users are provided with the clearest information on access speeds. Undertakings must guarantee that interested parties are provided with clear and accurate information for the various service offers, distinguishing between upload and download speeds, the maximum access speed provided and the average access speed estimated by the provider.²⁶⁷ It is also recommended that providers make available and duly highlight on their websites a facility that allows interested parties to measure their access upstream/downstream speed for a given period, whether instant or average.²⁶⁸

This leads to the following recommendation:

Recommendation 9:

- Develop/strengthen codes of practice on advertising of broadband speeds so that ISPs have to advertise speeds, or (preferably) speed ranges, which consumers are actually likely to experience, and support such codes with strong compliance monitoring.

Unlimited usage

An alternative to a voluntary code of practice is the development of mandatory regulatory guidelines to provide prescriptive guidance to broadband ISPs (especially where this would be more effective in view of the prevailing legal context). For instance, principles governing the application of Fair Usage Policy (voluntarily applied or mandated) could include:²⁶⁹

²⁶⁵ BEREC (2012). 'A view of traffic management and other practices resulting in restrictions to the open Internet in Europe: Findings from BEREC's and the European Commission's joint investigation.' BoR (12) 30. Available at: http://berec.europa.eu/eng/document_register/subject_matter/berec/reports/45-berec-findings-on-traffic-management-practices-in-europe.

²⁶⁶ Ofcom. 2010. *The UK Voluntary Code of Practice on Broadband Speeds*.

²⁶⁷ This is the speed which on average is estimated by the provider to be made available under normal usage conditions, which may frequently differ from the maximum access speed disclosed.

²⁶⁸ Anacom response to Civic Consulting stakeholder survey.

²⁶⁹ These are some of the principles set out by the Office of the Telecommunications Authority (OFTA) in Hong Kong in November 2011 to govern the application of Fair Usage Policy, and outlined in a complementary statement. See for example 'Hong Kongers protest

- ▶ Service providers promoting service plans with the word 'unlimited' included shall set out clearly in the advertising and sales materials the necessary qualifications if any form of Fair Usage Policy is applicable;
- ▶ Service providers shall set out in their websites, customer service agreements and related advertising and sales materials whether their plans are subject to Fair Usage Policy, the forms of Fair Usage Policy applicable, etc.;
- ▶ Service providers shall provide advance notice to customers with excessive usage before triggering Fair Usage Policy, and provide detailed record of data usage upon request;
- ▶ Service providers offering unlimited plans without qualifications must ensure that their networks are equipped with sufficient capacity so that they are truly capable of providing unlimited services.

This leads to the following recommendation:

Recommendation 10:

- Consider the use of mandatory requirements with respect to the provision of information on, and the application of Fair Usage Policies, as well as the technical details associated with 'unlimited' plans.

10.4 CUSTOMER SERVICE AND COMPLAINT HANDLING

Customer service

The evidence generated from our surveys and other sources suggests that customer service and complaints handling in the Internet access and service market consistently falls short of what many consumers expect. 26% of all survey respondents across the EU disagreed with the statement that in case of problems the Internet provider gives a useful answer (66% agreed with the statement, the rest did not have an opinion). A similar proportion of slightly more than a quarter (26%) of those who experienced a problem during the last 12 month reported that customer service was poor. In our switching exercise, in which participants also tested the customer service of the old and the new provider with emails requests and phone calls, they were not at all satisfied or fairly dissatisfied with 41% of contacts.²⁷⁰ Even though these results imply that in a majority of cases customers felt satisfactorily treated, this indicates large differences in the quality of customer service between

over end to all-you-can-eat tariffs' (at http://www.theregister.co.uk/2012/02/08/hong_kong_smartone_data_plan/print.html) and Legislative Council Panel on Information Technology and Broadcasting, 2012. *Guidelines for the Implementation of Fair Usage Policy for the Provision of Mobile and Fixed Broadband Services*.

²⁷⁰ Satisfaction with the customer service varied significantly according to the mean of communication used to contact the provider. Participants were satisfied in three-fourths of cases (74%) when communicating with their ISP by phone but in less than half of cases when corresponding via email (43%).

providers, and the existence of a significant minority of consumers that feel badly treated.

This study therefore confirms weaknesses in customer service quality in the Internet service provision market that have been identified before.²⁷¹ However, despite expectations that competition would exert pressure for significant improvements in the general customer service quality, this has not resulted. A basic reason for this may be that consumers themselves have not taken customer service sufficiently into account in choosing a service provider, thereby weakening incentives and competitive pressure on service providers to improve customer service and complaints handling performance. There are several reasons for this. One is that many consumers probably do not expect something to go wrong when they purchase a product and therefore place less emphasis on complaints-handling practices at the point of sale. Accordingly, customer service attracts less management attention/resources and use as a competitive feature than other product features, such as price. Another reason is that providers recognise customers are reluctant to switch service providers even if dissatisfied (mainly because of the costs and inconvenience of doing so). So, providers have little incentive to strive to improve complaints-handling practices as a means of retaining customers. A third reason is that even if consumers wished to take the relative performance of providers into account in their decision-making, the lack of transparency about the quality of customer service and complaints-handling means that they cannot easily do so.

Such characteristics leading to weak competition in customer service are likely to be durable. In this context, regulatory intervention may be warranted. Where possible, however, policy and regulatory measures should have the effect of strengthening market incentives for better customer service and complaints-handling.

As noted above, there is little information available about how service providers perform in relation to customer service. Service providers do not report on (or in some cases even measure) their performance against those dimensions of customer service that consumers rate highly or how they handle complaints. In the absence of objective measures, it is difficult for consumers to factor customer service into purchase decisions. This may help explain why there is little competition in this aspect of telecommunications services. In the absence of such information, other factors dominate consumers' choice of service provider, especially price and connection speed. However, 16 per cent of respondents to our consumer survey did nominate reputation for good service as one of the main reasons for choosing their current Internet service provider. Equally, some UK participants in our switching exercise indicated that a UK-based customer service (not outsourced to a third country) is a strong consideration in choosing a provider. This suggests that, for a section of the market at least, customer service is an important factor considered

²⁷¹ See, e.g. Xavier, P. 2011. *Behavioural economics and customer complaints in communication markets*.

when choosing a provider. If it becomes easier to assess good customer service, more consumers might do so.

An important element of consumer empowerment is educating consumers on the rights that they have in the electronic communications marketplace and how to exercise those rights. Regulators could encourage ISPs to develop customer service charters. Customer service charters could be a useful measure to explain to consumers what level of customer service they can expect. Industry should be encouraged to develop service charters that contain common elements, are presented in a common form and that would help enable consumers to assess and compare the quality of customer service offered by different service providers. Regulators could also issue a statement of consumer rights in order to assist consumers in making informed decisions and benefiting from competitive markets, and issue guidelines, if necessary.

This leads to the following recommendation:

Recommendation 11:

- It is recommended that Internet service providers be encouraged to develop customer service charters. Charters that contain common elements, presented in a common form, would help consumers to assess and compare the quality of customer service offered by different service providers.
- In addition, it is recommended that relevant regulatory authorities collect and publish ISP-specific customer service data (e.g. complaints data) in order to help consumers compare the customer service performance of different providers.

Complaint handling

A key aspect of customer service is complaint handling. Complaints-handling rules have long been included in industry codes in some countries and service providers often have processes or policies in place to meet the requirements of the codes. However, the significant level of customer dissatisfaction with complaints handling confirmed in this study (see above) suggests that existing processes have not been effective.

It is important that complaints-handling processes meet certain benchmarks. Improving the way complaints are identified, handled, and recorded will not only improve consumer outcomes, but help service providers to identify and address problems that cause consumers to complain. It should also significantly reduce the number of complaints escalated to external dispute resolution and costs incurred by poor complaints-handling practices.²⁷² As a starting point, complaints-handling by

²⁷² See Australian Communications and Media Authority. 2011. *Reconnecting the Customer*. P. 4.

ISPs could demonstrate compliance with the International Standard for complaints-handling, the guiding principles of which are set out in the box below.²⁷³

International Standard for complaints-handling

(a) *Visibility* – information about complaints-handling processes should be readily available, including how to escalate complaints. All staff members who deal with customers, not just complaints-handling staff members, should have an understanding of the complaints handling processes. This may include third parties such as contact centre staff, where customer service and complaints handling are outsourced.

(b) *Accessibility* – arrangements for making complaints should be simple and accessible and include options for making a complaint by telephone, in person or in writing, including by email or post. Service providers should offer additional support to vulnerable and disadvantaged consumers who wish to make a complaint (such as assisting the consumer to make a complaint or referring the consumer to a consumer advocate who could assist the customer make a complaint).

(c) *Responsiveness* – consumers should be informed about response times for handling complaints and the progress of their complaints. Providers should also have in place processes that prioritise complaints requiring an urgent response (...).

(d) *Objectivity* – all complaints should be dealt with in an equitable, objective, and unbiased manner.

(e) *Charging* – charges should not be imposed for handling complaints or providing material explaining complaints handling processes.

(f) *Confidentiality* – personal information concerning the complaint should not be disclosed except with express consent of the complainant.

(g) *Customer-focused approach* – complaints-handling staff should be courteous and helpful.

(h) *Accountability* – reports about complaints should be prepared on a quarterly basis for the executive management of the service provider, which should include actions taken and decisions made in respect of complaints handled during that period.

(i) *Continual improvement* – to ensure behavioural change, complaints-handling processes should be regularly reviewed to ensure the processes remain effective.

²⁷³ ISO 10002:2004 and national adoptions, such as DIN ISO 10002 (2010-05) and AS ISO 10002-2006 provide guidance on the process of complaints handling related to products within an organisation, including planning, design, operation, maintenance and improvement. In this box, we largely follow the AS ISO 10002-2006 as quoted in Australian Communications and Media Authority. 2011. *Reconnecting the Customer*. Pp. 110-111.

The use of benchmark standards could significantly raise the standard for complaints handling across the industry. However, it is essential to develop the complaints handling framework in consultation with industry and consumer organisations, to safeguard broad acceptance.

There is little information in the market about the complaints handling performance of service providers. This contributes to the lack of competition in complaints handling and has meant that less attention has been placed on improving complaints handling practices. A performance-reporting framework that requires service providers to report publicly on internal complaints handling performance data would motivate them to focus more on how they handle individual complaints.

The customer service performance reporting framework could incorporate service providers' performance for both timely contact resolution; and complaints handling. In order to motivate service providers to resolve matters quickly, any complaints that are resolved within two working days need not be included in the customer service performance reporting framework.

Providing information about how well individual service providers are dealing with their customers' complaints is important in helping consumers choose a provider that is more likely to meet their customer service expectations. To be effective, the information must be conveyed in a manner that is useful to consumers and promote 'benchmark competition' between service providers in regard to customer service performance.

ISPs are best placed to determine metrics that will measure performance of complaints handling and their agreement and cooperation on these issues is critical in ensuring that the performance-reporting framework achieves its objectives. Accordingly, ISPs should be given the opportunity to develop such metrics in consultation with key stakeholders, including NRAs and consumer organisations (since the metrics identified by ISPs should measure those aspects of customer service performance that consumers value). However, if suitable metrics and an effective performance-reporting framework are not developed and implemented by ISPs within a certain time period, NRAs should develop and impose a performance-reporting framework on providers.²⁷⁴

Service providers could be required to report on how complaints submitted by vulnerable consumers or those with special needs or in particular hardship were resolved. This would help policy makers to better understand what arrangements

²⁷⁴ In the UK, since January 2011, communications providers have been required to comply with amended complaints handling requirements. ISPs must ensure fair and timely resolution of complaints; offer low-cost options for consumers to make a complaint; and provide easy access to their complaints code of practice. Since July 2011 when a complaint has not been resolved after eight weeks, an ISP must write to the customer informing him/her of his/her right to take the complaint to alternative dispute resolution. See Ofcom. 2010. *A Review of Consumer Complaints Procedures*.

providers have or need to have in place to ensure that the special circumstances of vulnerable or disadvantaged consumers are recognised and addressed.

The cost of developing a public reporting framework could be quite high. However, these costs must be balanced against the benefits to consumers from amelioration of the current paucity of information and absence of competition to drive improvements in customer service, including complaints handling.

This leads to the following recommendation:

Recommendation 12:

- Introduce best practice in complaints handling, including the way complaints are identified, handled, recorded and performance in resolving them publicised.²⁷⁵
- Improve transparency of ISPs' complaints-handling performance, as well as the complaints-handling process itself. The latter could be promoted through the inclusion of information on ISPs' websites that identifies the several levels of a complaints process, from initiating a complaint with the ISP to filing a case with an applicable ADR entity.

Billing

Unexpectedly high bills ('bill shock') are a major source of complaints.²⁷⁶ The responses of NRAs to our stakeholder survey support concerns about unexpectedly high bills, with some NRAs rating this issue it very highly in terms of complaints intensity. An ADR entity answered in response to our survey question regarding main problems encountered by consumers with ISPs that "Bill shock remains the key issue ..."

Consumers should be able to access a range of expenditure management tools from their service provider, depending on their preferences and circumstances. For instance, some consumers might prefer an expenditure alert when they are nearing their limit. Others will prefer regular alerts so that they can monitor how charges are accumulating.

One approach is that consumers be offered a 'default' option such as a consumer-nominated hard-cap (i.e. an upper limit which cannot be exceeded for any reason,

²⁷⁵ The most efficient approach to publicising data on ISPs' complaints handling performance would need to be considered. Requiring ISPs to publish their own complaints handling data might lead to consumer difficulty in comparing that data across providers (as the data records would be published in various proprietary formats). On the other hand, requiring ISPs to produce standardised complaints handling data could prove a burdensome intervention. Another possibility could be for regulatory authorities to require ISPs to send them data on a limited selection of complaints handling indicators, which could then be standardised and published.

²⁷⁶ While unique problems are generated by mobile broadband with regard to billing (e.g. bill shock generated by mobile data when travelling abroad, but also domestically), billing problems are also reported by survey respondents with fixed line broadband.

which may especially relevant for mobile broadband). However, some consumers may be reluctant to nominate this option if the service thereby becomes unavailable for urgent use. Where the option of a consumer nominated hard-cap is offered, it may be necessary to include a requirement that the consumer is notified when a specified percentage of the plan (e.g., 80%) has been used so that consumers can decide whether to seek a temporary increase of the 'hard cap' to cover emergency use.

Currently, many service providers offer consumers the option of monitoring their usage online or through online tools. But giving consumers access to online tools to check usage may not be sufficient to protect them from bill shock.

Service providers could offer consumers practical and effective methods to monitor their expenditure, and at no charge to the consumer. For plans that are not subject to a hard-cap or 'shaping',²⁷⁷ service providers could offer expenditure management tools that will allow consumers to track data usage under a plan. A requirement could be introduced that alerts about data usage to be sent to consumers at nominated notification points. An opt-out provision might be included so that consumers can choose not to receive alerts.

As a supporting measure, including information about consumers' usage pattern on bills would help them to determine their likely consumption patterns and, in turn, the suitability of particular products. In some countries, public utilities, e.g. electricity, gas or water providers, are obliged to include graphs of historical usage data on bills. This helps consumers understand their usage patterns over a period of time and can also alert a consumer to unusual usage consumption. A similar requirement in the Internet usage sector would be useful for consumers. Providers should disclose a consumer's usage on all consumer bills, as well as the standardised form of pricing, to enable consumers to understand the charging arrangements.

Better information is an essential aspect of improving billing. But better information in bills is not necessarily the same as more information. Billing is also about communication and design/layout, including whether online or paper billing is preferable. The participants in our switching exercise were asked if bills are sufficiently clear. Generally speaking, participants mostly considered bills to be clear and understandable, and to be clearer than the offers they also assessed. Participants also discussed their criteria for clear and transparent bills. They generally considered it important that:

- ▶ The provider provides an itemised bill;
- ▶ The billing period should be clearly stated;
- ▶ Bills should clearly display contact details of the provider (in particular a phone number);

²⁷⁷ 'Shaping' is another term used to describe measures commonly applied by ISPs to slow download speeds as a consumer approaches the upper limit of their plan.

- ▶ Information should not be provided in small print; and that
- ▶ Bills should only present relevant information and no advertisement.

A bill presentation standard that provides objective criteria against which the overall presentation and clarity of billing information provided to consumers can be assessed would encourage all service providers to give their customers bills that are clear, unambiguous, and accurate. Regulators have taken action regarding billing standards, in some countries.²⁷⁸ The EC Good Practice Guidance for Billing²⁷⁹ is being adopted by a number of EU utilities²⁸⁰ and is a good reference point for considering good billing practices for ISPs, too.

This leads to the following recommendation:

Recommendation 13

- It is recommended that national regulators develop, in consultation with ISPs and other stakeholders, a bill presentation standard, where not already available, to encourage all service providers to provide their customers with bills that are clear, unambiguous, and accurate. This standard would provide objective criteria against which the overall presentation and clarity of billing information provided to consumers can be assessed. The EC Good Practice Guidance for Billing could be taken as a reference point for this process.

- To help prevent unexpectedly high bills ('bill shock'), consumers should be able to access a range of expenditure management tools from their service provider, depending on their preferences and circumstances. For instance, a requirement could be introduced that alerts about data usage be sent to consumers at nominated points, or consumers could be offered the option to nominate a 'hard-cap', i.e. an upper limit which cannot be exceeded except at their request.

²⁷⁸ For example, in Ireland, ComReg considers that the most appropriate way to encourage improvement in the standard of bill presentation is the development and adoption of a Bill Presentation Standard developed by ComReg in association with EIQA (Excellence Ireland Quality Association). The purpose of the standard is to encourage all service providers to give their customers bills that are clear, unambiguous, and accurate. This voluntary standard "provides objective criteria against which the overall presentation and clarity of billing information provided to consumers can be assessed". Service providers who wish to be accredited submit their bill documentation to be audited and accredited by EIQA on a periodic basis. ComReg publishes "details on its websites and other materials of those electronic communications services/packages which meet the agreed accreditation levels against the standard". This serves to "drive improvements in billing standards and assists consumers in evaluating service providers and their offerings". See Commission for Communications Regulation. 2008. *Excellence in Telecommunications Bill Presentation, Bill Presentation Standard for Telecommunications Service Providers*. Pp. 4-5.

²⁷⁹ European Commission. 2009. *Working Group on Billing: Good Practice Guidance for Billing*. (Note: document pertains to the energy sector, not to the market for Internet access and provision.)

²⁸⁰ See Annex 1 in: ERGEG. 2010. *Implementation of EC Good Practice Guidance for Billing*.

10.5 DISPUTE RESOLUTION

All 15 alternative dispute resolution (ADR) entities responding to our stakeholder survey deal with Internet broadband-related cases. Seven of these entities offer mediation procedures, four provide arbitration procedures and four provide conciliation procedures (see Figure 99).

Current good practices mentioned by responding stakeholders include:

- ▶ Guarantees of compliance to ADR decisions;
- ▶ Mandatory ISP membership in relevant ADR entities;
- ▶ Stakeholder dialogues to iron out problem issues; and
- ▶ Ensuring absence of unfair contract terms before admitting ISPs as members of ADR entities.

Despite the presence of well-functioning ADR entities in some of the Member States, take up and use by consumers of ADR appears to be low, as evidenced both by the consumer survey and the survey of ADR entities. Only 5% of those respondents that experienced a problem with their Internet service provider over the last 12 months filed a complaint with an alternative dispute resolution body, less than the number of those that consulted a consumer association (7%) and similar to the number of consumers reporting to have filed a complaint with a government authority or national regulator (5%).²⁸¹

Consumers who have suffered detriment because of deceptive, misleading, or otherwise unfair behaviour by firms should have access to well-working and easy to use redress mechanisms. Alternative dispute resolution entities, such as ombudsmen, mediators, arbitrators are important institutions for consumers in many markets and also provide feedback to regulators and suppliers. They are more accessible, cheaper, and less intimidating for consumers than the regular court system. Redress mechanisms also provide a forum for the resolution of disputes that arise from the transaction process but do not involve misconduct on the part of the supplier (for example, consumer complaints about the billing process). Member States already have to ensure that simple and inexpensive out-of-court procedures are available for dealing with unresolved disputes between consumers and undertakings providing electronic communications networks and/or services.²⁸² In addition, measures to reinforce ADR entities are on the EU agenda.²⁸³

²⁸¹ The large majority reported to have complained to the Internet service provider (58%) or took no action (23%).

²⁸² According to Article 34 of Directive 2002/22/EC as amended by Directive 2009/136/EC: "Member States shall ensure that transparent, non-discriminatory, simple and inexpensive out-of-court procedures are available for dealing with unresolved disputes between consumers and undertakings providing electronic communications networks and/or services arising under this Directive and relating to the contractual conditions and/or performance of contracts concerning the supply of those networks and/or services. Member States shall adopt measures to ensure that such procedures enable disputes to be settled fairly and promptly and may, where warranted, adopt a system of reimbursement and/or compensation. Such procedures shall enable disputes to be settled

This leads to the following recommendation:

Recommendation 14:

- Continue efforts to develop and strengthen effective alternative dispute resolution entities in all Member States, including in the telecommunications field.
- Clearly signpost the availability of ADR for consumers seeking redress; for example, all advice-giving entities should signpost ADR if it is available.
- ISPs should be obliged to: (a) indicate clearly on their bills and customer information websites information regarding relevant ADR entities; and (b) refer the customer to ADR every time a complaint to the ISP is not resolved within a certain period.
- It is recommended that case data from the various ADR entities in the EU be collected in a standardised way along the lines that have been developed by the European Commission for complaints data generally.

impartially and shall not deprive the consumer of the legal protection afforded by national law. Member States may extend these obligations to cover disputes involving other end-users."

²⁸³ In 2011, the European Commission proposed a legislative package on alternative dispute resolution and online dispute resolution. The aim is to ensure full coverage of quality ADR, raise awareness regarding ADR and ODR, and set up an EU-wide platform for cross-border, e-commerce disputes.

ANNEX 1: METHODOLOGY FOR ECONOMIC ANALYSIS

This annex presents the detailed methodology for the assessment of the potential savings achievable by switching provider, switching costs, and reported detriment resulting from problems experienced by consumers with their providers.

The economic analysis conducted in the framework of this study provides a monetary quantification of (1) the savings that could be achieved if consumers switched their Internet service provider (ISP); and (2) the monetary detriment suffered by consumers as a result of service problems they experience. The savings assessment exclusively identifies the monetary gains achievable by switching to the same type of package, with the same or higher advertised speed range, offered at a lower price. It does not consider the potential non-monetary welfare gains associated with better services (including faster speeds) which may be obtained for the same price.

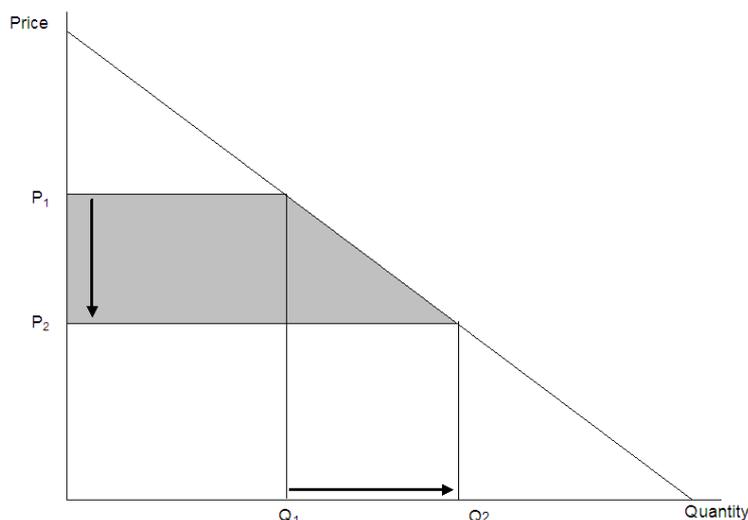
ASSESSMENT OF POTENTIAL SAVINGS ACHIEVABLE BY SWITCHING

This section focuses on the methodology of the economic analysis of consumer welfare gains (the so-called “consumer surplus benefits” in economic theory) through switching of Internet Service Provider (ISP) in the 29 countries subject to this market study.

Consumer surplus is a measure of the welfare that consumers gain from the consumption of goods and services, or a measure of the benefits they derive from the exchange of goods. Consumer surplus is the difference between the total amount that consumers are willing and able to pay for a good or service (indicated by the demand curve) and the total amount that they actually do pay (the market price for the product). Consumer surplus for a certain market can be calculated by adding up the consumer surplus enjoyed by all the consumers who have bought the product. Consumer surplus changes when the market price of a product changes, or a consumer obtains the same product for a lower price, e.g. by switching provider. As illustrated in the figure below, when the price of Internet access or a bundle including Internet access (hereafter referred to as Internet products) changes from p_1 to p_2 , the increase in consumer surplus is the area under the demand curve and between these two prices. It is represented by the shaded area in the figure below.

Figure 1. Changes in consumer surplus due to switching to a provider with lower prices for the same product or service

Note: Shaded area represents consumer surplus



Consumer surplus includes welfare gains for those consumers that already have access to a specific Internet product and now purchase it at a lower price (the rectangular shaped shaded area in the figure above), and welfare gains for other consumers that were previously not able or willing to purchase this Internet access, but would now do so because of lower prices (the triangular shaped shaded area). We have focused our assessment on the changes in consumer surplus due to lower prices for those consumers who already have Internet access, thereby providing a conservative estimate of potential welfare gains.

A number of aspects of the methodology presented in this section are important to consider when interpreting the expected results:

- ▶ Our estimate of consumer welfare gains includes potential savings achieved by switching provider for standalone fixed-line broadband Internet access and for several types of bundles which include fixed-line broadband Internet access and other services (such as fixed-line telephony or TV). In line with the market definition for this study mobile Internet provision (e.g. for smart phones) is not separately considered (although bundles that include both fixed-line and mobile Internet or mobile telephony are included in the analysis);¹
- ▶ As it is not possible to separately identify the price for the different components of a bundle, the assessment of consumer welfare gains includes the savings regarding all components of a bundle;
- ▶ The potential savings that consumers could realise by switching their ISP are calculated on the assumption that consumers will switch to the same *type of*

¹ The following information was provided to consumer survey respondents: this survey “focuses on your main Internet access at home from desktop computers or laptops. Internet access through smartphones and tablet PCs (such as an iPad) is NOT covered”, “mobile Internet refers to mobile Internet access using a dongle or USB stick. It does not refer to routers or modems that allow you to use a desktop computer, laptop or other device wirelessly at home (WiFi)”.

bundle (standalone Internet access; Internet access and fixed telephony; Internet access and television; Internet access, fixed telephony and television; or other). For example, if a household currently has a triple play bundle of Internet, fixed phone and TV, this household will switch to another triple play offer. In other words, we assume that a consumer who has selected a particular package wants to keep that type of package. We also assume that households will switch to a product combination offering the same *or higher* advertised speed range, as long as the type of package remains the same and the switch would result in savings. In reality, some consumers may prefer to switch to a different package (or to standalone access) or to pay more for a faster connection. Considering these possibilities would, however, go beyond the scope of this study;

- ▶ The potential savings that can be achieved by switching fixed-line broadband providers are estimated on the basis of prices collected in February 2011 (BIAC study), and on the basis of additional information collected during the website evaluation exercise and data on the technical infrastructure and other aspects of Internet service provision from a variety of sources (see table below). Prices offered by the various Internet service providers for specific products vary over time quite considerably. Thus the price being quoted for new customers in the BIAC database need not necessarily be the price being paid by existing customers. If there is a downward bias in prices for Internet products/bundles with the same specifications generally, then one may expect the existing customers to be paying more than the price offered to new customers, meaning that the gains from switching may be larger than is calculated by us. Our estimate is therefore expected to be a conservative assessment of the potential savings that households may realise;
- ▶ The potential savings that consumers could realise by switching their ISP are assessed as welfare gains that could be obtained by consumers in their respective national market at the time of price collection. Future market developments that could be a result of increased switching are not considered;²
- ▶ Not all broadband services in a given country are available nationwide, and not all household may actually be able to switch provider. We therefore have focused on the largest providers in a country that are included in the BIAC

² In reality, it can be expected that price levels will change when consumers increasingly switch providers. However, it is very difficult to estimate possible changes in service prices without macroeconomic models of the 29 national ISP markets that consider all relevant parameters. Although substantial desk research, discussions and explorations of potential country 'clustering' methodologies were conducted in order to develop an assessment of additional welfare gains that might be realised through further development of the market (taking as benchmark the price level of similar products in other Member States), we have concluded that the results from this originally foreseen aspect of the economic analysis would lack sufficient practical meaning, as the B2C Internet service provision market is characterised by scarce cross-border provision or spill-overs that have the potential to significantly impact price levels, and divergent national network infrastructures and regulatory requirements contribute to differences in price levels.

database (covering globally at least 90% of the market). We also consider that not all households may be able to switch because of either (1) technological restrictions (for example, not all households are currently covered by cable Internet access) or (2) a lack of providers offering Internet access in different types of locality. Finally, we apply a scenario technique to estimate the effect that different price levels in the three locality types may have on average potential savings. Other factors that may influence availability of offers are not considered.

- ▶ Not considered are also the potential (non-monetary) welfare gains that consumers could achieve by switching if, as a result of the process, they, for example, obtained better services (such as a higher connection speed) for the same price.

The following table provides an overview of the main data sources that we have used for the economic analysis.

Table 1. Data requirements and sources for the assessment of potential savings

Notes: (a) Available at: https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/study_broadband_access_costs.pdf (b) Available at: [https://ec.europa.eu/digital-agenda/files/broadband_coverage_2010.pdf](https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/broadband_coverage_2010.pdf)

Data requirements	Data sources
Prices offered by Internet service providers by product combination and country	Broadband Internet Access Cost (BIAC) database prepared for the Directorate General for Communications Networks, Content and Technology (DG CONNECT) of the European Commission, data as of 02/2011. ^(a)
Percentage of households with broadband Internet access by type of locality	Eurostat
Percentages of households covered by DSL, cable and FTTx	Broadband Coverage in Europe, Final Report, 2011 survey, data as of 31 December 2010. ^(b)
Price differences between the different types of locality	Based on scenarios developed according to the results of the website evaluation exercise
Number of households which have access to the offers of more than one provider, by type of locality	Consumer survey data
Number of households by product combination	Consumer survey data
Market share of incumbent relative to market share of all new entrants	Digital Agenda Scoreboard database for EU 27 and statistics published by the NRAs of Iceland and Norway

The methodology for the economic analysis of potential welfare gains is structured according to the following steps:

1. Identifying offers available for each product combination;
2. Identifying the cheapest tariffs;
3. Estimating potential savings according to the status of households' current ISP;
4. Factoring in differences in potential savings according to type of locality;
5. Estimating the number of households that can switch;
6. Calculating potential domestic savings for each product combination;
7. Aggregating potential savings for all countries.

Each step is explained in detail in the following sub-sections.

First step: Identifying offers available for each product combination

The BIAAC database constitutes the most complete available dataset on prices offered by ISPs for broadband Internet access. Across the 29 domestic markets relevant for the study, it provides price data for 3,214 offers in 2011. These prices correspond to the tariffs offered by those ISPs that provide broadband services to 90% of consumers with Internet access in each of the 29 countries. The offers are presented according to the characteristics of the products, including the *type of package* (standalone Internet access; Internet access and fixed telephony; Internet access and television; Internet access, fixed telephony and television, other) and *ranges of advertised connection speeds* (no more than 2 Mbps; more than 2 Mbps to 8 Mbps; more than 8 Mbps to 12 Mbps; more than 12 Mbps to 30 Mbps; faster than 30 Mbps).³

Clearly, the large number of offers that are relevant for the economic assessment have to be separately assessed. We have therefore grouped the tariffs according to the product characteristics mentioned above (type of bundle and range of advertised connection speed), which correspond to key parameters that consumers take into consideration when choosing a specific offer for their Internet connection. The combination of four main types of bundles and five main speed ranges results in a total of 20 products considered (plus the category 'other', see table below).

³ These ranges have been selected for the purposes of the economic assessment. The BIAAC database includes a total of 8 speed ranges (https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/study_broadband_access_costs.pdf).

Table 2. Relevant product combinations for the assessment of potential savings from switching

Source: Civic Consulting.
(a) Products for which data has been collected by website evaluators during the website evaluation exercise.
(b) 'Other' includes all offers that include mobile telephony and/or mobile internet.

Product combination	Range of advertised speed
Standalone Internet access	No more than 2 Mbps
Standalone Internet access	More than 2 Mbps to 8 Mbps
Standalone Internet access	More than 8 Mbps to 12 Mbps
Standalone Internet access	More than 12 Mbps to 30 Mbps
Standalone Internet access	Faster than 30 Mbps
Internet access and fixed telephony	No more than 2 Mbps
Internet access and fixed telephony	More than 2 Mbps to 8 Mbps
Internet access and fixed telephony	More than 8 Mbps to 12 Mbps
Internet access and fixed telephony ^(a)	More than 12 Mbps to 30 Mbps
Internet access and fixed telephony	Faster than 30 Mbps
Internet access and television	No more than 2 Mbps
Internet access and television	More than 2 Mbps to 8 Mbps
Internet access and television	More than 8 Mbps to 12 Mbps
Internet access and television	More than 12 Mbps to 30 Mbps
Internet access and television	Faster than 30 Mbps
Internet access, fixed telephony and television	No more than 2 Mbps
Internet access, fixed telephony and television	More than 2 Mbps to 8 Mbps
Internet access, fixed telephony and television	More than 8 Mbps to 12 Mbps
Internet access, fixed telephony and television ^(a)	More than 12 Mbps to 30 Mbps
Internet access, fixed telephony and television ^(a)	Faster than 30 Mbps
Other ^(b)	

The results of the consumer survey indicate that 80% of respondents across the 29 countries relevant for this study subscribe to one of the 20 products listed above (excluding 'other'). Using the BIAC database we identified the offers that are available for each of these products.

Second step: Identifying the cheapest tariffs

The BIAC database may include more than one offer from a single ISP for one product combination. For example, for the bundle of Internet access and fixed telephony with a connection speed between 2 and 8 Mbps a given ISP may offer different tariffs. These could be based on the number of minutes of phone calls per month included

in the package. In these cases, we have only considered the cheapest tariff offered by each ISP for each specific product combination.⁴

The BIAC database specifies for each tariff whether it is offered by the incumbent or by a new entrant. Based on this specification we have identified, for each product combination, the cheapest tariff offered by the incumbent and the cheapest tariff offered by each of the new entrants.

Third step: Estimating potential savings according to the status of households' current ISP

As households may have either (1) a contract with the incumbent or (2) a contract with a new entrant, we have estimated for each of the 20 product combinations (i.e. all product combinations in the table above except 'other') the potential savings from switching that could be achieved by households depending on the status of their current ISP (incumbent or new entrant).

We have applied the following approach to differentiate between the potential savings of those households currently served by an incumbent ISP and those served by a new entrant:

- ▶ If a household has a contract with the incumbent, its potential savings correspond to the price difference between the incumbent's cheapest tariff for the specific product combination and the single cheapest tariff among all offers from the new entrants;
- ▶ If a household has a contract with a new entrant, its potential savings are determined by the price difference between the average of the cheapest tariffs offered by each of the new entrants for the specific product combination and the single cheapest tariff among all offers.⁵

⁴ For our analysis, we have used the total costs per month (VAT included) with telephone line rental or cable TV subscription as provided by the BIAC database. Offers presented in the BIAC database have been normalised to ensure sufficient uniformity in technical terms. According to the BIAC database, for each basket, a number of specific (normalisation) parameters were defined, in terms of minimal level of usage, corresponding to what can be assumed for a 'normal user'. These usage levels are expressed in terms of access time (a number of hours) and download volume (a number of GB). Normalisation of broadband offers consists in applying these minimal usage levels to the offers. The Broadband Internet Access Cost (BIAC) is defined as the total monthly charges composed of (1) one-time non-recurring charges; (2) monthly recurring charges; and (3) possible discounts and extra charges. Non-recurring charges include initial cost elements, such as activation, installation, sending costs, buying or renting of material (modem, decoder, software), etc. These charges are divided over a standard contract duration of 36 months. According to the BIAC report, this period was selected after an analysis of the contract duration for broadband services that were currently most common at the time of research (2011). The monthly recurring charges correspond to the monthly charges for the broadband service, and, if applicable, for the additional services included (fixed telephony, television, mobile telephony and mobile internet).

⁵ Data on the market shares of each new entrant in each domestic market for each product combination is not available. Therefore the average of the cheapest tariffs offered by each of the new entrants is used for this calculation.

The corresponding equation for the price difference for product combination j in domestic market d for households with a contract with the incumbent is as follows:

$$(1) \quad P_{i_{jd}} = P_{c_{i_{jd}}} - P_{c_{ne_{jd}}}$$

With:

$P_{i_{jd}}$	<i>Price difference for product combination j in domestic market d for households with a contract with the incumbent</i>
$P_{c_{i_{jd}}}$	<i>Price of the cheapest tariff offered by the incumbent for product combination j in domestic market d (BIAC database)</i>
$P_{c_{ne_{jd}}}$	<i>Price of the cheapest tariff offered among all new entrants for product combination j in domestic market d (BIAC database)</i>
d	<i>Domestic market</i>

Example

According to the BIAC database, in the Netherlands the price of the cheapest tariff offered by the incumbent for the product combination of Internet access only and advertised speed range of 12 Mbps to 30 Mbps is 35.28 Euro per month, and the cheapest tariff offered by the new entrants for this product is 22.92 Euro per month. The price difference for this product combination in the Netherlands for households subscribed to the incumbent provider is therefore 12.36 Euro per month (35.28 Euro - 22.92 Euro).

Coming to households that have currently a contract with a new entrant, the price difference for product combination j in domestic market d is as follows:

$$(2) \quad P_{ne_{jd}} = P_{mne_{jd}} - P_{c_{jd}}$$

With:

$P_{ne_{jd}}$	<i>Price difference for product combination j in domestic market d for households with a contract with a new entrant</i>
$P_{mne_{jd}}$	<i>Average of the cheapest tariffs offered by each of the new entrants for product combination j in domestic market d (calculated on the basis of the BIAC data)</i>
$P_{c_{jd}}$	<i>Price of the cheapest tariff offered among all providers for product combination j in domestic market d (BIAC database)</i>
d	<i>Domestic market</i>

Example

According to the BIAC database, in the Netherlands the average of the cheapest tariffs offered by the new entrants for the product combination of Internet access only and advertised speed range of 12 Mbps to 30 Mbps is 34.55 Euro per month.

The price difference for this product combination in the Netherlands for households subscribed to a new entrant is therefore 11.63 Euro per month (34.55 Euro-22.92 Euro).

Fourth step: Factoring in differences in potential savings according to type of locality

The BIAC database does not provide information on which tariffs are actually used by consumers or on which tariffs are available in (1) metropolitan zones, (2) large towns/urban centres, and (3) rural zones or villages. To address this issue, we have used scenarios developed on the basis of the findings of the website evaluation exercise.

The results of this exercise show that consumers' potential savings from switching provider may in some cases differ significantly depending on the type of locality in which their household is located. We have therefore taken into consideration the fact that the potential savings calculated above (under step 3) may differ according to the type of locality.

We assume that households in *metropolitan zones* that have the Internet access technology of the cheapest tariff and have access to offers of more than one provider (see step 5 below) can achieve the potential savings calculated above. In other words, we assume that – based on the typically higher developed Internet infrastructure in metropolitan areas – households that can switch always have potentially access to the cheapest tariff listed in the BIAC database for the specific product combination.

Example

Dutch households in metropolitan zones which currently have the product combination of Internet access only and advertised speed range of 12 Mbps to 30 Mbps can save 12.36 Euro (35.28 Euro-22.92 Euro) per month if they switch from the incumbent and 11.63 Euro per month if they switch from a new entrant (as calculated in the previous example boxes).

To estimate the savings achievable in *large towns/urban centres* and *rural zones or villages* compared to the savings achievable in metropolitan areas, we have used the results of the website evaluation exercise. A review of the results of the website evaluation exercise indicates that we need to involve scenarios in this step of the economic assessment to reflect the patterns observed in the price data regarding the dependence of potential savings on the type of location.

In the website evaluation exercise, we evaluated a total of 81 comparison websites (CWs) in 22 countries. Of these, 50 allowed for the searching of offers by location; and 38 permitted website evaluators to search at the city level or more specifically (e.g. by post code, phone number or address). We use the price data collected through these 38 comparison websites for the 5 pre-defined products in each of 6 randomly chosen locations. These locations were defined by an existing address, post code and phone number, and 2 were located in metropolitan areas, 2 in large towns/urban centres and 2 in rural zones or villages. For each location where this data was available, the prices of the incumbent offer and the cheapest offer were recorded, and the price difference between these offers was calculated.

The total number of possible observations was 1,140 (38 CWs with a sufficiently specific search-by-location feature, multiplied by the 5 pre-defined products and 6 locations). But only in approximately one quarter of cases was this price information actually available on the comparison websites. Specifically, from these 38 CWs, we have just under 300 observations, equivalent to about 50 cases where it was possible for us to calculate price differences between the incumbent's cheapest offer and that of the lowest-priced new entrant across all or nearly all of the six locations scrutinised for one product on one CW. Reasons for this relatively limited number of observations are that when a 'cheapest available offer' was listed by the CW there was often no corresponding offer from the incumbent provider for the given locality and product, or the pre-defined product was not available at all. In such cases, a price difference could not be calculated.

Of the nearly 300 observations that do exist, it is notable that only about half indicate divergence across locality type in the price difference between the incumbent's offer⁶ and that of the lowest-priced new entrant.⁷ That is, only half of the observations suggest a consumer's savings from switching between incumbent and new entrant would vary depending on the type of locality in which they live.

⁶ In case several correct offers from the incumbent were available that fitted the product definition, website evaluators recorded the price of the cheapest offer.

⁷ The data which do show divergence in price differences across locality type indicate that households located in a large town/urban centre can achieve 66% of the savings achievable in a metropolitan zone of the same country. Households located in a rural zone/village could obtain 49% of the savings obtainable in a metropolitan zone.

In sum, the website evaluation results cannot be regarded as conclusive, and we have estimated the savings achievable by switching in large towns/urban centres and rural zones or villages based on the following two scenarios:

- ▶ *Scenario 1: No differences in savings between localities.* Reflecting those observations from the website evaluation exercise that do not indicate any differences in savings between different types of locality (metropolitan zone, large town and rural zone), we assume that the potential savings from switching for a household located in a large town/urban centre or in a rural zone/village are equivalent to the savings that could be achieved in the metropolitan zone of the same country, as established from the BIAC database, to the extent that these households can actually switch (see step 5).
- ▶ *Scenario 2: Savings depend on type of locality.* Reflecting the other part of the observations from the website evaluation exercise that do indicate differences in savings between different types of locality, we assume in this alternative scenario that a household located in a large town/urban centre or in a rural zone/village that can switch would only be able to obtain a specific share of the savings that could be achieved in a metropolitan zone of the same country. To estimate this share, we have discounted the savings calculated in step 3 by a factor based on the average saving provided by those comparison websites which indicated divergences in price differences across the types of locality.⁸ For example, if the observations of the website evaluation exercise that are relevant for this scenario indicate that a household located in a large town/urban centre can only obtain 90% of the savings achievable in a metropolitan zone, we have applied this factor to the potential savings calculated – in step 3 above – for a household located in a metropolitan zone. In other words, under this scenario we assume that there is a welfare loss by the reduced choice of Internet offers in these localities, compared to the situation in metropolitan areas.

The potential savings from switching for households not located in metropolitan zones therefore range between the savings that they can obtain under scenario 1 and under scenario 2. This reflects the outcome of the website evaluation exercise, which shows that in some situations consumers in all types of locality may profit from similar savings when switching, whereas in other situations this may not be the case.

Next, we have used these results to estimate the potential savings that a household could achieve according to the status of its provider (incumbent or new entrant) and the type of locality in which it is located.

We take the example of a household currently subscribed to the incumbent and located in a large town/urban centre. The potential savings for household under

⁸ Because of the overall number of observations, the same discounting factors are applied to all countries.

scenario 2 are defined by the following equation, and the potential savings for a household subscribed to a new entrant or living in a rural area or village have been determined in a similar manner.

Price difference for product combination j in domestic market d for a household located in a large town/urban centre and subscribed to the incumbent under scenario 2:

$$(3) P_{uijd} = (P_{cijd} - P_{cjd}) \times D_{ud}$$

With:

P_{uijd}	Price difference for product combination j in domestic market d for a household located in a large town or urban centre and subscribed to the incumbent
P_{cijd}	Price of the cheapest tariff offered by the incumbent for product combination j in domestic market d (BIAC database)
P_{cjd}	Price of the cheapest tariff offered among all providers for product combination j in domestic market d (BIAC database)
D_{ud}	Discount factor for large towns/urban centres (calculated from the website evaluation exercise price collection data)
d	Domestic market

Under scenario 1, the savings for a household located in a large town/urban centre or a rural zone/village are calculated similarly as in metropolitan areas.

Example

Under scenario 1, the potential saving of a household located in large towns/urban centres which currently has the product combination of Internet access only and advertised speed range of 12 Mbps to 30 Mbps with the incumbent amounts to 12.36 Euro per month (as in metropolitan areas).

Under scenario 2, the savings that can be achieved by switching provider for households located in large towns/urban centres are, on average, 34% lower than those that can be achieved in metropolitan zones, if only the results of those price comparison websites that indicated a divergence in the price difference according to location type are considered.⁹ On this basis, the potential saving of a household located in large towns/urban centres in the Netherlands which currently has this product combination with the incumbent amounts to 8.16 Euro per month (12.36 Euro x 66%).

⁹ Not all CWs indicated a divergence across the types of locality in the price difference between the incumbent's offer and that of the lowest-priced new entrant. Possible explanations for differences between CWs are that different offers are listed on different CWs or that information by type of locality was not provided consistently. To the extent possible, we have reviewed the comments made by the website evaluators and have excluded those CWs where website evaluators have voiced specific concerns regarding the accuracy of search results (e.g. in cases where the location search appeared to be not functional, etc.).

Fifth step: Estimating the number of households that can switch

Not all households can actually switch to the cheapest tariff identified in the BIAC database for the product combination in question. Households may not be able to switch because of (1) technological restrictions (for example, not all households are currently covered by cable Internet access) and (2) a lack of other providers offering Internet access in the locality (for example, a consumer may only have access to the offer(s) of a single provider because the other providers operating in the country may not offer their services in all types of locality).

We have therefore estimated the number of households which in principle are able to switch their ISP by type of locality in each domestic market, considering both factors.

To avoid overestimating the number of consumers who could benefit from switching, we have identified the technology of the cheapest tariff offered for the specific product combination. Then we have used the data on the percentages of households – by type of locality – that are covered by the three main technologies of fixed-line broadband Internet access (DSL, cable and FTTx), as provided by the report on Broadband Coverage in Europe.¹⁰

Similarly, we have considered only those consumers who have access to offers from at least two different providers. The percentage of consumers who have access to multiple providers' offers has been obtained from the consumer survey.¹¹

Our approach to estimating the relevant number of households is described below. As an example of this approach, we estimate below the number of households currently subscribed to the incumbent provider which would be able to switch. In this

¹⁰ Almost all of the cheapest offers found in the BIAC database are related to the three main technologies of fixed-line broadband Internet access (DSL, cable and FTTx). Only in a very limited number of cases (5 instances in just 3 countries - Denmark, Ireland and Poland) are the cheapest tariffs related to 'Plug and Play' technology based on wireless/mobile networks. For Denmark and Poland, the BIAC database suggests that these tariffs (3 instances) relate to broadband provided through mobile networks (for example based on the 3G standard) for which the IDATE report provides coverage data. In the case of Ireland, the IDATE report suggests that the cheapest offers based on 'Plug and Play' technology relate to the WiMAX and satellite technologies which are only available for a small number of households or for businesses. In addition, the IDATE report does not provide precise data on the percentage of the population covered by these technologies in this country. In Ireland, we therefore did not consider the cheapest tariff related to the 'Plug and Play' technology (2 instances) but instead used the next cheapest tariffs related to one of the three main technologies (DSL, cable and FTTx) of fixed-line broadband Internet access.

¹¹ Originally, we planned to obtain data on the percentage of consumers who have access to the offers of two or more providers through the survey of national regulatory authorities (NRAs). However, because of the limited relevant data that NRAs were able to provide, we decided to use the results of the consumer survey instead. In this survey, consumers were asked to identify the number of providers which offered Internet access the last time they compared offers (without considering providers that only offered Internet access through mobile phone networks via use of a dongle or USB stick). As the data collected did not show significant differences in the availability of at least two providers across the three locality types, the calculation of the number of households which are actually able to switch is based on the overall percentage of respondents that indicated having access to the offers of two or more providers in each country.

example we assume that the technology of the cheapest offer is DSL.¹² The five steps to estimate this figure include:

1. Estimating the number of households with broadband access in type of locality a in domestic market d;
2. Estimating the number of households covered by DSL that already have broadband access in type of locality a in domestic market d;
3. Estimating the number of households actually able to switch to a DSL-based offer in type of locality a in domestic market d;
4. Estimating the number of households actually able to switch to a DSL-based offer that have a contract with the incumbent in type of locality a in domestic market d;
5. Estimating the number of households with product combination j in locality type a in domestic market d that are subscribed to the incumbent and which would be able to switch.

The estimation of the number of households with broadband access in type of locality a in domestic market d is described by the following equation. This estimation is based on Eurostat data.

Number of households with broadband access in type of locality a in domestic market d :

$$(4) H_{bb_{ad}} = H_{ad} \times H_{pdsl_{ad}}$$

With:

$H_{bb_{ad}}$	Number of households with broadband access in type of locality a in domestic market d
H_{ad}	Number of households in type of locality a in domestic market d (based on Eurostat data on the number of inhabitants by type of locality and the average number of persons per household)
$H_{pdsl_{ad}}$	Percentage of households with broadband access in type of locality a in domestic market d (Eurostat data)
a	Type of locality: Metropolitan zone, large town/urban centre, rural zone or village
d	Domestic market

¹² The same steps would be applied if the technology of the cheapest offer were cable or fibre (in this case, 'DSL' would be replaced by the relevant technology in equation 4). The number of households subscribed to a new entrant that would be able to switch would also be determined in the same way.

Example

On the basis of Eurostat data, we can determine the number of households per type of locality in the Netherlands. In this country, 2,487,227 households are located in large towns/urban centres. According to Eurostat data, 79% of Dutch households in large towns/urban centres have broadband Internet access.

The number of households with broadband access in large towns/urban centres in the Netherlands therefore amounts to 1,964,910 (or 2,487,227 x 79%).

As mentioned above, not all households with broadband access may be able to switch to the lowest-priced offer identified in the BIAC database for the given product combination due to technological restrictions. The following equation shows how we can calculate the number of households that would, in principle, be able to switch. This example assumes that the lowest-priced offer is DSL-based.

Number of households covered by DSL which already have broadband access in type of locality a in domestic market d:

$$(5) H_{cbb_{ad}} = H_{bb_{ad}} \times H_{pcad}$$

With:

$H_{cbb_{ad}}$	Number of households covered by DSL which already have broadband access in type of locality a in domestic market d
$H_{bb_{ad}}$	Number of households with broadband access in type of locality a in domestic market d
H_{pcad}	Percentage of households covered by DSL in type of locality a in domestic market d (data from the report on Broadband Coverage in Europe)
a	Type of locality: Metropolitan zone, large town/urban centre, rural zone or village
d	Domestic market

Example

In the Netherlands, 99% of households in large towns/urban centres are covered by DSL. The number of households covered by DSL and which already have broadband access in large towns/urban centres in the Netherlands is therefore 1,945,260 (or 1,964,910 x 99%).

However, not all households covered by DSL which already have broadband access would be able to switch because some households may not have access to the offers of more than one provider. The following equation illustrates our approach to

estimating the number of households actually able to switch to a DSL-based offer because, in addition to the foregoing requirements, they have access to offers from at least two fixed-line broadband providers.

Number of households which are actually able to switch to an offer based on DSL technology in type of locality a in domestic market d:

$$(6) H_{cad} = H_{p2bbd} \times H_{cbbad}$$

With:

H_{cad}	Number of households which are actually able to switch to a DSL-based offer in type of locality a in domestic market d
H_{p2bbd}	Percentage of households with broadband Internet access which have access to the offers of at least 2 fixed-line broadband providers (consumer survey) in domestic market d
H_{cbbad}	Number of households covered by DSL which already have broadband access in type of locality a in domestic market d
a	Type of locality: Metropolitan zone, large town/urban centre, rural zone or village
d	Domestic market

Example

In the Netherlands, 91% of households which have broadband Internet would be able to switch to another provider (based on the percentage of those that reported to have access to the offers of at least two fixed-line broadband providers, when they last compared offers).

The number of households which are actually able to switch to a DSL-based offer in large towns/urban centres in the Netherlands would therefore be 1,772,896 (or 1,945,260 x 91%).

We can now estimate the number of households able to switch to a DSL-based offer according to the status of the provider (incumbent or new entrant). This calculation is based on the market shares data provided by the Digital Agenda Scoreboard Database for the Member States of the EU and by publications of the NRAs of Iceland and Norway.¹³ The following equation illustrates how the number of households

¹³ See The Post and Telecom Administration of Iceland. 2011. *Statistics on the Icelandic electronic communications market for the first half of 2011*; and The Norwegian Post and Telecommunications Agency. 2011. *The Norwegian Electronic Communications Services Market 1st half 2011*.

which are actually able to switch to an offer based on the DSL technology and which have a contract with the incumbent is calculated.¹⁴

Number of households actually able to switch to a DSL-based offer which have a contract with the incumbent in type of locality a in domestic market d:

$$(7) H_{adi} = H_{cad} \times M_{id}$$

With:

H_{adi}	Number of households actually able to switch to a DSL-based offer which have a contract with the incumbent in type of locality a in domestic market d
H_{cad}	Number of households actually able to switch to technology DSL-based offer in type of locality a in domestic market d
M_{id}	Market share of the incumbent in domestic market d (as provided by the Digital Agenda Scoreboard Database and by publications of the NRAs of Iceland and Norway) ¹⁵
a	Type of locality: Metropolitan zone, large town/urban centre, rural zone or village
d	Domestic market

Example

According to the Digital Agenda Scoreboard Database, the incumbent provider (KPN) has a market share of 42% in the Netherlands.

The number of Dutch households located in large towns/urban centres actually able to switch to technology DSL-based offer which have a contract with the incumbent is therefore 743,187 (or 1,772,896 x 42%).

To conclude step 5, we determine the number of households which currently have the product combination in question (Internet access only and advertised speed range of 12 Mbps to 30 Mbps), a contract with the incumbent, and would actually be able to switch. This is based on the percentage of consumer survey respondents who

¹⁴ Similarly, the number of households which are actually able to switch to an offer based on DSL technology and which have a contract with a new entrant is estimated on the basis of the market share of all new entrants (relative to the market share of the incumbent, as provided by the Digital Agenda Scoreboard database). The Digital Agenda Scoreboard database provides the market shares of the new entrants and the incumbent in the Member States (all types of technology considered together), as well as the market shares for the DSL market, but not for the other types of technology. In order to not distort the overall picture, we have used the global market share figures (for all types of technology) only.

¹⁵ We assume that this market share is the same across all types of locality in a given country.

indicated that they currently use product combination j in the respective country (see following equation).¹⁶

Number of households with product combination j in locality type a in domestic market d subscribed to the incumbent and actually able to switch (under the assumption that the technology of the cheapest offer is DSL):

$$(8) H_{jadi} = R_{pjad} \times H_{adi}$$

With:

H_{jadi}	Number of households with product combination j in locality type a in domestic market d subscribed to the incumbent and actually able to switch (under the assumption that the technology of the cheapest offer is DSL)
R_{pjad}	Percentage of consumer survey respondents in domestic market d who have product combination j in type of locality a
H_{adi}	Total number of households actually able to switch to a DSL-based offer which are subscribed to the incumbent in type of locality a in domestic market d
a	Type of locality: Metropolitan zone, large town/urban centre, rural zone or village
d	Domestic market

Example

According to the consumer survey, 4.8% of the respondents from the Netherlands currently use the product combination of Internet access only and advertised speed range of 12 Mbps to 30 Mbps.

The number of Dutch households located in large towns/urban centres which currently have this product combination, a contract with the incumbent, and which would be able to switch to a cheapest offer that is provided by DSL technology amounts to 35,673 (or 743,187 x 4.8%).

¹⁶ In some cases respondents to the consumer survey indicated that they had a certain product combination although no offers exist for this product combination in the BIAC database for the applicable country. These respondents were reallocated to the 'other' category. In cases where respondents to the consumer survey indicated they had a certain product combination and the BIAC database shows only offers from new entrants (or from the incumbent) for this product combination, we assume that all households with this product are with the new entrant(s) (or with the incumbent, respectively).

Sixth step: Calculating potential domestic savings for each of the product combinations

Next, we have calculated the potential domestic savings for each of the product combinations. The following equations illustrates how we have calculated this for the 2 scenarios.

Potential savings for product combination j in domestic market d under scenario 1:

$$(9) AS_{jd1} = AS_{jdi1} + AS_{jdne1} \\ = [P_{jidm} \times (H_{jidm} + H_{jidu} + H_{jidr})] + [P_{jnedm} \times (H_{jnedm} + H_{jnedu} + H_{jnedr})]$$

With:

AS_{jd1}	Potential savings in domestic market d for product combination j under scenario 1
AS_{jdi1}	Potential savings in domestic market d for product combination j for households subscribed to the incumbent and able to switch under scenario 1
AS_{jdne1}	Potential savings in domestic market d for product combination j for households subscribed to a new entrant and able to switch under scenario 1
P_{jidm}	Price difference (between the incumbent's cheapest tariff for the specific product combination and the single cheapest tariff among all offers from the new entrants) for product combination j per type of locality a in domestic market d for households subscribed to the incumbent (for all types of locality)
P_{jnedm}	Price difference (between the average of the cheapest tariffs offered by each of the new entrants for the specific product combination and the single cheapest tariff among all offers) for product combination j per type of locality a in domestic market d for households subscribed to a new entrant in metropolitan zones (for all types of locality)
H_{jidm}	Number of households with product combination j in locality type a in domestic market d subscribed to the incumbent and able to switch (in large towns/urban centres and in rural zones or villages H_{jidu}, H_{jidr})

Potential savings for product combination j in domestic market d under scenario 2:

$$(10) AS_{jd2} = AS_{jdi2} + AS_{jdne2} \\ = (P_{jidm} \times H_{jidm} + P_{jidu} \times H_{jidu} + P_{jidr} \times H_{jidr}) + (P_{jnedm} \times H_{jnedm} + P_{jnedu} \times H_{jnedu} + P_{jnedr} \times H_{jnedr})$$

With:

AS_{jd2}	Potential savings in domestic market d for product combination j under scenario 2
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AS_{jd2}	Potential savings in domestic market d for product combination j for households subscribed to the incumbent and able to switch under scenario 2
AS_{jdne2}	Potential savings in domestic market d for product combination j for households subscribed to a new entrant and able to switch under scenario 2
P_{jldm}	Price difference (between the incumbent's cheapest tariff for the specific product combination and the single cheapest tariff among all offers from the new entrants) for product combination j per type of locality a in domestic market d for households subscribed to the incumbent in metropolitan zones (In large towns/urban centres and in rural zones or villages: P_{jldu}, P_{jldr})
P_{jnedm}	Price difference (between the average of the cheapest tariffs offered by each of the new entrants for the specific product combination and the single cheapest tariff among all offers) for product combination j per type of locality a in domestic market d for households subscribed to a new entrant in metropolitan zones (In large towns/urban centres and in rural zones or villages P_{jnedu}, P_{jnedr})
H_{jldm}	Number of households with product combination j in locality type a in domestic market d subscribed to the incumbent and able to switch (In large towns/urban centres and in rural zones or villages H_{jldu}, H_{jldr})
H_{jnedm}	Number of households with product combination j in locality type a in domestic market d subscribed to a new entrant and able to switch (In large towns/urban centres and in rural zones or villages H_{jnedu}, H_{jnedr})

The aggregated potential savings for product combination j in domestic market d are therefore within the following range:

$$(11) AS_{jd} = [AS_{jd1}, AS_{jd2}]$$

With:

AS_{jd}	Aggregated potential savings in domestic market d for product combination j
AS_{jd1}	Potential savings in domestic market d for product combination j under scenario 1
AS_{jd2}	Potential savings in domestic market d for product combination j under scenario 2

Example

Under scenario 1, the potential savings that could be achieved by Dutch households located in large towns/urban centres which currently use the product combination of Internet access only and advertised speed range of 12 Mbps to 30 Mbps, have a contract with the incumbent, and which would be able to switch to a cheapest offer that is provided by DSL technology would amount to 440,918 Euro per month (12.36 Euro x 35,673).

Under scenario 2, the potential savings that could be achieved – all other things unchanged – would amount to 291,006 Euro per month (8.16 Euro x 35,673), see Equations (3) and (8), respectively.

Dutch households located in large towns/urban centres which have this product combination and a contract with the incumbent would therefore be able to save between 291,006 Euro and 440,918 Euro per month by switching provider (equivalent to 3,492,073 Euro to 5,291,016 Euro per year).

Seventh step: Aggregating potential savings for all product combinations in all countries

Finally, we have calculated the aggregated potential savings for each domestic market. This implies the calculation for all product combinations (20 variations) for both consumers that switch from incumbent or from a new entrant to the cheapest offer (2 variations) and for each type of locality (3 variations), i.e. we have replicated the described approach for 120 different cases for each domestic market, while also considering two scenarios in the 80 cases that refer to the savings in large towns/urban centres and rural zones or villages.

We have then extrapolated these results to the product combination ‘other’ by estimating a saving that is equivalent to the average of the saving across the 20 product combinations scrutinised in detail.¹⁷ As the bundles that are combined in the ‘other’ category are mostly ‘triple play’ or ‘quadruple play’ bundles that include mobile telephony or mobile Internet and are therefore likely to be higher priced on average than the bundles that dominate the market and have been separately considered in our 20 product combinations, this is expected to lead again to a conservative estimate.

Savings achievable by switching provider in domestic market d are therefore:

$$(12) DS_d = \sum_{j=1}^n AS_{jd}$$

¹⁷ The number of households that have subscribed to an ‘other’ bundle have been estimated on basis of the results of the consumer survey.

With:

- DS_d Savings achievable by switching provider in domestic market d
- AS_{jd} Aggregated potential savings in domestic market d for product combination j
- n Number of possible product combinations

Finally, we have calculated the aggregated potential savings achievable by switching fixed-line broadband providers for the 29 domestic markets covered by the study, i.e. considered all different cases for each of the 29 countries that are covered by this study.

Aggregated savings achieved by switching provider across countries are calculated as follows:

$$(13) DS = \sum_{d=1}^y DS_d$$

With:

- DS Aggregated savings that can be achieved by switching fixed-line broadband provider in the 29 domestic markets covered by the study
- DS_d Potential savings that can be achieved by switching fixed-line broadband providers in domestic market d
- y Number of domestic markets covered by the study (29)

The table below presents the savings achievable by households by switching provider in the Member States of the EU and Norway and Iceland.

Table 3. Savings achievable by switching provider

Source: Civic Consulting.
Note: (a) This calculation is based on the number of households which can actually switch provider.

Country	Total potential savings per year (in Euro)		Savings per households (which can switch) per year (in Euro)	
	SCENARIO 2 Savings depend on type of locality	SCENARIO 1 No differences in savings between localities	SCENARIO 2 Savings depend on type of locality	SCENARIO 1 No differences in savings between localities
BE	118,678,528	140,382,767	63.4	75.0
BG	24,969,380	28,424,783	46.2	52.6
CZ	92,263,964	128,279,181	100.8	140.2
DK	141,982,292	186,864,912	119.0	156.6
DE	1,787,945,506	2,085,938,849	102.0	119.0
EE	11,312,788	12,281,007	75.4	81.9
IE	24,046,352	31,087,235	100.2	129.5
EL	70,910,751	85,912,504	72.8	88.2
ES	472,913,922	573,479,458	89.8	108.9
FR	542,622,025	634,648,577	74.5	87.2
IT	724,576,658	879,420,642	140.0	169.9
CY	8,681,732	9,475,608	208.6	227.7
LV	9,626,963	10,258,520	70.5	75.1
LT	15,923,450	16,787,324	102.0	107.6
LU	16,317,683	21,738,913	181.3	241.5
HU	134,905,546	174,995,404	102.2	132.6
MT	2,874,069	3,095,909	77.6	83.6
NL	534,160,696	604,988,273	110.1	124.7
AT	158,518,515	210,514,081	115.8	153.8
PL	389,936,579	426,017,312	168.8	184.4
PT	70,652,333	86,246,228	61.7	75.4
RO	34,777,727	39,079,349	39.5	44.4
SI	23,817,254	31,807,171	106.3	142.0
SK	53,309,196	62,718,425	151.4	178.1
FI	42,417,440	47,517,942	81.4	91.2
SE	168,486,290	222,162,599	140.1	184.8
UK	1,612,848,479	1,852,595,638	119.9	137.7
EU 27	7,289,476,117	8,606,718,610	105.3	123.2
NO	55,762,454	82,719,579	95.1	141.1
IS	708,605	831,081	25.2	29.5
Total: 29 countries	7,345,947,177	8,690,269,270	105.2	124.4

ESTIMATION OF SWITCHING COSTS

We have also estimated the costs of switching for consumers on the basis of the average time spent on switching as reported by the respondents to the consumer survey and on the value of time forgone due to the switching process.

As households may use their Internet connection for leisure and/or for work, we have assumed that the value of time forgone due to the switching process is within a range defined by the value of leisure (non-working time) and the value of working time. The value of working time is based on average gross monthly earnings and the average number of hours worked per week in each country, as provided by Eurostat.¹⁸ The value of leisure time is estimated to be equivalent to 30% of the value of working time, as suggested in a World Bank publication¹⁹ and used for an OFT study.²⁰ For example, for the UK, the value of working time is calculated at 18.3 Euro per hour and the value of leisure time at 5.5 Euro per hour (see table below). Our estimate for the value of leisure time is therefore slightly more conservative than one previously used in a separate study by OFCOM (5.97 British Pounds, or 7.3 Euro per hour).²¹

¹⁸ As data on average gross monthly earnings is available for the year 2006 only, estimates for 2011 were obtained using a price index from Eurostat.

¹⁹ Belli, P. et al. 2001. *Economic Analysis of Investment Operations, Analytical Tools and Practical Implications*, World Bank Institute Development Studies.

²⁰ See: OFT. 2009. *Evaluation of a sample of Consumer Enforcement Cases*.

²¹ See OFCOM. 2012. *Consumer Switching. A consultation on proposals to changes the processes for switching fixed voice and broadband providers on the Openreach copper network*.

Table 4. Value of time forgone due to the switching process

Source: Civic Consulting.
(a) Based on Eurostat data
(b) Estimated to correspond to 30% of the value of working time.
(c) As Eurostat does not provide data on the value of working time for the 29 countries, it is assumed that this is equivalent to the value of working time in the EU27.

Country	Value of working time (in Euro per hour) ^(a)	Value of leisure (in Euro per hour) ^(b)
BE	16.6	5.0
BG	1.1	0.3
CZ	4.1	1.2
DK	19.5	5.9
DE	15.9	4.8
EE	3.7	1.1
IE	20.0	6.0
EL	9.1	2.7
ES	9.7	2.9
FR	14.5	4.3
IT	12.3	3.7
CY	10.5	3.1
LV	2.7	0.8
LT	2.8	0.8
LU	19.9	6.0
HU	3.7	1.1
MT	7.4	2.2
NL	15.1	4.5
AT	12.8	3.8
PL	3.8	1.1
PT	6.7	2.0
RO	1.9	0.6
SI	6.8	2.0
SK	3.1	0.9
FI	15.3	4.6
SE	16.8	5.0
UK	18.3	5.5
EU 27	12.8	3.8
IS	17.4	5.2
NO	24.1	7.2
Total: 29 countries^(c)	12.8	3.8

We have estimated the reported switching costs per household due to personal time spent on switching by using the equation below. The switching costs have been provided as a range, reflecting the fact that the value of time is defined as a range between the value of leisure time and the value of working time.

$$(14) SC = [Ts \times V_l, Ts \times V_w]$$

With:

SC	Switching costs per household due to personal time spent on switching
Ts	Average personal time spent on switching (in hours) (Q9 of the consumer survey)
V _l	Value of leisure time (in Euro per hour) (see Table 4)
V _w	Value of working time (in Euro per hour) (see Table 4)

The table below presents the results of the application of our methodology to calculate switching costs for households in the Member States of the EU and Norway and Iceland.

Table 5. Switching costs

Source: Civic Consulting.

Country	Average personal time spent on switching (in hours)	Value of working time (in Euro per hour)	Value of leisure time (in Euro per hour)	Switching costs per household based on working time value	Switching costs per household based on the value of leisure time
BE	2.2	16.6	5.0	36.5	11.0
BG	2.4	1.1	0.3	2.7	0.8
CZ	2.8	4.1	1.2	11.4	3.4
DK	1.9	19.5	5.9	37.1	11.1
DE	2.5	15.9	4.8	39.8	12.0
EE	2.3	3.7	1.1	8.5	2.5
IE	2.3	20.0	6.0	45.9	13.8
EL	2.2	9.1	2.7	19.9	6.0
ES	2.4	9.7	2.9	23.2	7.0
FR	2.4	14.5	4.3	34.7	10.4
IT	2.8	12.3	3.7	34.3	10.3
CY	1.5	10.5	3.1	15.7	4.7
LV	2.8	2.7	0.8	7.6	2.3
LT	2.6	2.8	0.8	7.3	2.2
LU	2.9	19.9	6.0	57.8	17.4
HU	2.9	3.7	1.1	10.7	3.2
MT	2.6	7.4	2.2	19.3	5.8
NL	2.4	15.1	4.5	36.3	10.9
AT	2.2	12.8	3.8	28.1	8.4
PL	2.7	3.8	1.1	10.2	3.1
PT	3.1	6.7	2.0	20.8	6.2
RO	3.0	1.9	0.6	5.8	1.8
SI	2.8	6.8	2.0	19.0	5.7
SK	2.8	3.1	0.9	8.6	2.6
FI	1.9	15.3	4.6	29.1	8.7
SE	1.8	16.8	5.0	30.2	9.0
UK	2.6	18.3	5.5	47.6	14.3
EU 27	2.5	12.8	3.8	31.9	9.6
IS	3.3	17.4	5.2	57.3	17.2
NO	2.1	24.1	7.2	50.6	15.2
Total: 29 countries	2.5	12.8	3.8	31.9	9.6

ESTIMATION OF REPORTED DETRIMENT RESULTING FROM PROBLEMS

As a result of problems experienced by consumers with their Internet provider, consumers may suffer detriment because (1) they cannot properly use their Internet service and/or (2) because they spend time solving problems. In the final part of the economic analysis we provide an estimate of both elements of consumer detriment suffered. Again, certain aspects of the methodology have to be considered when interpreting the results:

- ▶ The assessment of the detriment associated with the lack of Internet access for consumers (point 1 above) is based on estimates reported by respondents to the consumer survey on the amount of time that they spent without Internet access during the last 12 months as a result of these problems and valued with the average price paid for an Internet connection (i.e. a day of Internet connection lost is valued at 1/30th of the average monthly price of the connection). This implies a conservative estimate, as other costs incurred (such as the costs consumers may bear for alternative access to the Internet, e.g. by using the services of an Internet café or a paid hotspot) are not considered;
- ▶ The consumer detriment associated with the time spent on solving problems with the ISP (point 2 above) is assessed by using estimates on the time lost to solve problems, as reported by respondents to the consumer survey, and by applying a value of time forgone due to the problems.²² Data on problems experienced and time spent by consumers on solving problems cannot be independently verified, and may therefore be subject to over- or underreporting. We have, however, taken utmost care to compare the results of our survey, wherever possible, with the results of other Eurobarometer surveys and have found a considerable level of consistency with earlier research.

The main data sources for the assessment of reported detriment resulting from problems experienced by consumers with their Internet connection are presented in the table below.

²² The value of time forgone due to the problems is equivalent to the value of time forgone due to the switching process (see Table 4 above).

Table 6. Data requirements and data sources for the assessment of consumer detriment

Source: Civic Consulting

Data requirements	Data sources
Time spent solving problems by consumers	Consumer survey data
Value associated with time loss due to problems with Internet access and provision	Desk research, Eurostat
Amount of time consumers could not use their Internet connection due to the problems experienced	Consumer survey data
Price paid by consumers for their Internet connection	Consumer survey data
Number of households with Internet access	Eurostat

In the analysis we consider potential problems that may be faced by consumers with their Internet service provider as defined for the consumer survey. The list was developed on the basis of the information collected through desk research and exploratory interviews.

The list of problems included in the consumer survey includes the following items:

- ▶ Interruptions in Internet connection
- ▶ Speed of Internet connection (slower than it should be)
- ▶ Poor customer service
- ▶ Unclear bill
- ▶ Bill with errors
- ▶ Slamming
- ▶ Blocking/slowing down of certain Internet services (e.g. video streaming, Internet telephony etc)
- ▶ Misuse of personal data/bank details by provider
- ▶ Problems with other services included in package (TV, fixed phone, mobile phone, etc.)
- ▶ Problems with additional online features provided (e-mail/online storage/personal website, etc.)
- ▶ Long wait time for service to be repaired
- ▶ Other problems

The results of the consumer survey have allowed us to identify the number of respondents who experienced problems with their Internet service provider, the time that they spent to fix these problems, and the amount of time that they spent without Internet access due to these problems. We have estimated the detriment on the basis of average values reported by consumers.

We have then determined the reported consumer detriment for the sample of consumers surveyed, by using the equation below. Similar to the estimation of switching costs, the value of consumer detriment is provided as a range, reflecting the fact that the value of time is defined as a range between the value of leisure time and the value of working time.

$$(14) CD = [(T_p \times V_l) + (T_o \times P/30)] \times (R_p \times H), (T_p \times V_w) + (T_o \times P/30) \times (R_p \times H)]$$

With:

CD	Consumer detriment suffered per respondent
T _p	Average time spent solving problems over the last 12 months (in hours) (Q28 of the consumer survey)
V _l	Value of leisure time (in Euro per hour) (see Table 4)
V _w	Value of working time (in Euro per hour) (see Table 4)
T _o	Average time the connection was reported to be out of service over the last 12 months (in days) (Q29 of the consumer survey)
P	Average price paid for an Internet connection over the last 12 months (in Euro) (Q3 of the consumer survey)
R _p	Percentage of respondents to the survey who experienced problems over the last 12 months
H	Number of households with broadband Internet access

We have applied the equation above to the data obtained from the consumer survey on households with standalone Internet access and to those with bundles, and therefore calculated the detriment suffered by households according to their type of package.

The table below presents the results of the consumer survey which have been used for the calculation of the consumer detriment.

Table 7. Data from the consumer survey used for the calculation of consumer detriment

Source: Civic Consulting.
 Note: (a) Average values over the last 12 months

Country	Survey results for households with standalone Internet access			Survey results for households with bundles		
	Time spent solving problems (in hours) ^(a)	Time connection was out of service due to problems (in days) ^(a)	Monthly price paid (in Euro) ^(a)	Time spent solving problems (in hours) ^(a)	Time connection was out of service due to problems (in days) ^(a)	Monthly price paid (in Euro) ^(a)
BE	5.9	3.0	35.0	5.8	4.5	56.5
BG	4.1	4.1	10.0	6.1	4.1	15.9
CZ	6.0	4.8	16.6	5.2	4.5	31.6
DK	5.3	3.2	25.2	5.4	4.6	42.3
DE	8.0	2.5	25.5	6.5	5.1	36.8
EE	4.3	3.0	13.3	3.8	2.6	27.0
IE	6.1	5.2	27.3	5.4	4.9	50.2
EL	3.8	5.8	24.6	5.3	4.4	43.2
ES	4.3	6.6	30.8	5.4	4.6	47.4
FR	4.9	5.9	31.0	5.8	6.3	39.9
IT	6.6	4.0	29.9	6.1	5.2	43.2
CY	4.0	6.1	37.3	4.1	4.3	51.7
LV	3.9	2.7	14.7	4.0	2.3	26.0
LT	5.1	2.5	10.2	4.1	2.9	19.8
LU	3.8	3.1	40.3	6.4	3.3	58.5
HU	6.3	3.9	16.2	3.4	2.6	28.3
MT	4.3	2.6	18.7	3.4	1.8	41.1
NL	5.7	3.4	24.5	5.8	3.9	49.8
AT	6.0	4.9	19.0	5.3	4.0	34.0
PL	5.4	4.9	13.1	4.9	4.8	26.0
PT	4.9	3.5	22.1	6.6	4.4	44.8
RO	9.5	5.4	10.2	7.5	4.4	18.1
SI	5.8	5.5	25.4	6.7	3.8	44.7
SK	4.3	4.3	15.3	5.3	4.8	28.9
FI	6.7	4.3	26.2	7.9	5.0	35.4
SE	7.1	5.1	28.2	6.6	4.7	41.4
UK	3.5	3.2	20.4	6.5	3.8	42.4
IS	4.1	2.8	32.2	7.6	4.3	53.4
NO	6.7	6.3	45.5	6.1	5.4	54.4

Finally, we have extrapolated our estimate of consumer detriment suffered by those consumers surveyed to the number of households with broadband Internet access in all 29 study countries on the basis of the percentage of respondents with standalone

Internet access and those with bundles who experienced problems over the last 12 months and the percentage of respondents who have these types of products in each country. We could then obtain an aggregated value of the consumer detriment suffered by consumers over the last 12 months in the 27 EU Member States and Norway and Iceland.

The table below presents the results of our analysis regarding the consumer detriment suffered by households with broadband Internet access in each country.

Table 8. Detriment per year resulting from problems experienced by consumers

Source: Civic Consulting.

Country	Scenario 1 : Detriment based on the value of leisure time (in Euro)			Scenario 2: Detriment based on the value of working time (in Euro)		
	Standalone Internet	Bundle	Total	Standalone Internet	Bundle	Total
BE	3,580,657	38,769,446	42,350,102	11,045,765	108,652,378	119,698,143
BG	248,387	1,015,089	1,263,477	540,808	2,160,741	2,701,548
CZ	3,556,353	5,934,644	9,490,997	9,640,493	13,860,154	23,500,647
DK	6,853,318	21,821,204	28,674,523	21,589,280	64,076,676	85,665,956
DE	22,099,017	270,755,654	292,854,671	70,945,097	797,149,609	868,094,706
EE	115,322	782,517	897,839	325,245	1,950,164	2,275,409
IE	3,513,437	14,112,926	17,626,363	10,763,148	40,412,447	51,175,595
EL	832,040	14,768,894	15,600,934	2,163,691	38,614,432	40,778,123
ES	4,475,256	84,963,525	89,438,781	11,252,713	221,059,295	232,312,008
FR	3,978,351	224,282,689	228,261,040	11,210,466	616,701,085	627,911,551
IT	12,127,456	119,361,205	131,488,661	36,462,595	328,541,024	365,003,619
CY	38,205	786,594	824,799	93,772	1,949,404	2,043,176
LV	161,634	536,141	697,775	429,417	1,305,153	1,734,570
LT	334,648	1,166,825	1,501,473	986,787	2,931,120	3,917,907
LU	94,115	1,696,830	1,790,945	279,812	5,081,967	5,361,779
HU	1,700,788	4,654,600	6,355,388	4,742,512	11,260,910	16,003,422
MT	51,471	144,318	195,790	154,350	396,507	550,857
NL	4,242,468	55,917,633	60,160,101	13,188,910	160,259,717	173,448,626
AT	1,533,476	5,330,966	6,864,443	4,689,452	15,483,602	20,173,055
PL	7,582,797	22,459,920	30,042,717	20,663,204	52,320,469	72,983,673
PT	1,111,815	13,561,872	14,673,687	3,168,376	34,689,940	37,858,316
RO	455,287	4,401,444	4,856,731	1,253,780	10,804,006	12,057,787
SI	299,557	3,271,093	3,570,650	800,827	8,656,207	9,457,034
SK	878,197	1,759,241	2,637,439	2,200,921	3,873,095	6,074,015
FI	11,927,078	17,338,755	29,265,833	36,716,263	52,123,764	88,840,027
SE	12,832,896	31,101,815	43,934,712	39,210,615	91,759,564	130,970,179
UK	17,444,216	278,306,327	295,750,543	54,000,533	841,931,134	895,931,668
EU 27	122,068,243	1,239,002,167	1,361,070,410	368,518,832	3,528,004,565	3,896,523,397
NO	8,761,213	22,174,392	30,935,604	25,877,536	64,520,193	90,397,729
IS	74,667	1,262,777	1,337,444	227,669	3,733,288	3,960,956
Tot. 29 countries	130,904,123	1,262,439,335	1,393,343,459	394,624,037	3,596,258,046	3,990,882,082

ANNEX 2. REFERENCES

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ANNEX 3. GLOSSARY

This annex provides definitions of the terms used in the report.²⁸⁴

- ▶ Asymmetric Digital Subscriber Line (ADSL): A digital technology that allows the use of a standard telephone line to provide high speed data communications. Allows higher speeds in one direction (towards the customer) than the other.
- ▶ Advertised speed: The speed at which broadband services are typically marketed, often expressed as 'up to' xMbit/s (megabits per second).
- ▶ Broadband speed: The speed at which data are transmitted over a broadband connection, usually measured in megabits per second (Mbit/s).
- ▶ Broadband: A service or connection which is capable of supporting 'always-on' services which provide the end-user with high data transfer speeds.
- ▶ Bundle: Where a consumer purchases two or more services from the same provider on a single bill and considers this to be a package of services. The consumer may or may not receive a discount.
- ▶ Cable Internet: Works by using TV channel space for data transmission, with certain channels used for downstream transmission, and other channels for upstream transmission. The recent development of new technologies has permitted cable Internet to attain speeds comparable to FTTx (see definition below), in particular thanks to the use of Docsis 3.0 decoders. Download speeds of up to 200 Mbps and upload speeds of up to 100 Mbps can be obtained thanks to this new standard.
- ▶ Cable network: A hybrid fibre-coax Electronic Communications Network that uses a combination of optical fibres and coaxial cable.
- ▶ Comparison website (CW): A website which allows consumers to compare prices offered by multiple providers for specific products.
- ▶ Connection speed: The rate at which information can be transferred from the Internet to a computer. Dependent on the type of connection, i.e. modem, cable, DSL, etc.
- ▶ Consumer organised switching process (or cease and re-provide process): Switching process where there are no agreed switching processes in place which enable a seamless transfer of services between providers. The consumer terminates the contract with the old provider and requests a new

²⁸⁴ These definitions are based on those given in BEREC. 2010. *BEREC report on best practices to facilitate consumer switching. BoR (10) 34 Rev1*; Ofcom. 2010. *The Consumer Experience 2010*; Ofcom. 2011. *Communications Market Report: UK*; Ofcom. 2012. *Consumer switching. A consultation on proposal to change the processes for switching fixed voice and broadband providers on the Openreach copper network*; Ofcom. 2012. *UK fixed-line broadband performance, November 2011. The performance of fixed-line broadband delivered to UK residential consumers*; and Van Dijk Management Consultants. 2011. *Broadband Internet Access Cost (BIAC) 2011*.

service from the new provider. This process requires the consumer to manage the stopping and starting of the services.

- ▶ **Cooling-off period:** The period of time after a purchase during which the purchaser has the right to return goods for a refund, or to cancel a contract without penalty.
- ▶ **Download speed:** Also downlink or downstream speed. Rate of data transmission from a network operator's access node to a customer, typically measured in Megabits per second (Mbit/s).
- ▶ **Digital Subscriber Line (DSL):** A family of technologies generally referred to as DSL, or xDSL, capable of transforming ordinary phone lines (also known as 'twisted copper pairs') into high-speed digital lines, capable of supporting advanced services such as fast Internet access and video-on-demand. ADSL, HDSL (high data rate digital subscriber line) and VDSL (very high data rate digital subscriber line) are all variants of xDSL.
- ▶ **Dongle:** A physical device, attached to a PC's USB port, which adds hardware capabilities.
- ▶ **Early termination fee:** A charge for consumers who terminate their contract before the end of any minimum contract period.
- ▶ **EU12:** Bulgaria, the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovenia, and Slovakia
- ▶ **EU15:** Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden, and the United Kingdom
- ▶ **Fair use policy:** Internet service providers sometimes include a fair use policy in offers with unlimited download allowances. The intention behind such policies may be to apply a bandwidth cap in order to avoid situations in which a limited number of users who download very large amounts of data slow down the service for other users online at the same time.
- ▶ **Fixed-line:** Narrowband call and/or line rental services provided to consumers and small business consumers.
- ▶ **FTTx:** Groups Fibre to the Home (FTTH), Fibre to the Building (FTTB), Fibre to the Cabinet (FTTC), and is defined as a telecommunications architecture in which data transmission is provided over optical fibre cables extending from the telecommunications operator's switching equipment to (at least) the boundary of the home living space or business office space, or cabinet. In the case of FTTC, VDSL or VDSL2 is often used for the remaining distance between the cabinet and the home. Some of the FTTx offers in the sample are based on an architecture using Local Area Network (LAN) or Metropolitan Access Network (MAN) techniques (e.g. LAN in Bulgaria and MAN in Korea), also referred to as Ethernet technology. FTTx offers are characterised by much higher up and download speeds, and in a number of cases,

symmetrical speeds. Among the offers collected, upload speeds usually vary between 2 Mbps and 60 Mbps, and download speeds between 2Mbps and 80 Mbps, though both lower and higher speeds were also observed.

- ▶ **Headline speed:** The speed at which a broadband service is marketed, usually expressed as 'up to'.
- ▶ **Incumbent provider:** Defined as the organisations enjoying special and exclusive rights or de facto monopoly for provision of voice telephony services before liberalisation.
- ▶ **Internet:** A global network of networks, using a common set of standards (e.g. the Internet Protocol), accessed by users with a computer via a service provider.
- ▶ **Internet Protocol Television (IPTV):** The term used for television and/or video signals that are delivered to subscribers or viewers using Internet Protocol (IP), the technology that is also used to access the Internet. Typically used in the context of streamed linear and on-demand content, but also on a single link network.
- ▶ **Integrated services digital networks (ISDN):** A standard developed to cover a range of voice, data, and image services intended to provide end-to-end, simultaneous handling of voice and data on a single link and network.
- ▶ **Internet Service Provider (ISP):** a company that provides access to the Internet.
- ▶ **Latency:** The time it takes a single packet of data to travel from a user's PC to a third-party server and back again. The figure is most commonly measured in milliseconds, and a connection with low latency will feel more responsive for simple tasks like web browsing.
- ▶ **Metallic Path Facility (MPF):** a way for providers to gain full control of the local loop connecting to end users to deliver both voice and broadband.
- ▶ **Migration Authorisation Code (MAC):** a unique code that a customer obtains from the old broadband service provider and gives to the new provider, that allows the service to be transferred from an existing service provider seamlessly and with little or no disruption of service.
- ▶ **Mbit/s Megabits per second (1,000,000 bits per second):** A unit of measurement of data transmission speed.
- ▶ **Minimum contract period:** A minimum (fixed-term) contractual period set at the start of a contract (often for 12 to 24 months).
- ▶ **Mobile Internet:** for the purposes of the study, 'mobile Internet' refers to mobile Internet access using a dongle or USB stick. It does not refer to routers or modems that allow one to use a desktop computer, laptop or other device wirelessly at home (WiFi).

- ▶ New provider (or gaining provider): Provider to whom the customer is transferring.
- ▶ New Provider Led Process (NPLP), or notification of transfer process: Switching process where consumers only need to contact the provider they are transferring to in order to switch. The new provider informs the old provider on behalf of the consumer in order to organise the transfer.
- ▶ Old provider (or losing provider): Provider from whom the customer is transferring.
- ▶ Old Provider Led Process (or migration authorisation code process: Switching process where consumers need to contact the provider they are transferring away from as well as the provider they are transferring to in order to switch. It means that if a consumer wishes to change the provider, the consumer need to obtain a code from the old provider and give it to the new provider.
- ▶ Package: Refers broadly to the Internet service provision product to which a consumer has subscribed. It encompasses both 'standalone' Internet connections and 'bundles'.
- ▶ Plug & Play: Refers to the ability of a computer system to configure automatically expansion boards and other devices. The user should be able to plug in a device and run it. With the exception of 'WiMAX at home', these technologies are characterised by the fact that the broadband Internet access is not limited to a specific location, as opposed to where the Internet access is provided through a telephone line, cable or fibre.
- ▶ Rollover contract: Automatically renewable contracts where consumers sign up to an initial minimum contract period and the contract is then automatically renewed at the end of each minimum contract period unless the consumer explicitly opts out at some point before the start of the subsequent minimum contract period. During each minimum contract period they can only cancel their contract if they pay an early termination charge.
- ▶ Satellite Internet: Uses a satellite in geostationary orbit to relay data from the ISP to its customers. Speeds provided are usually lower than offers based on the other technologies.
- ▶ Slamming: Where a consumer is switched from one provider to another without the express knowledge and consent of that consumer.
- ▶ Streaming content: Audio or video files sent in compressed form over the Internet and consumed by the user as they arrive. Streaming is different to downloading, where content is saved on the user's hard disk before the user accesses it.
- ▶ Switchover period: The period between the consumer's agreement to enter into service with a new provider and the new service becoming active.
- ▶ Tariff: Schedule of rates and charges for a service.

- ▶ Throttling: slowing down of specific Internet services (for some or all subscribers), e.g. VoIP (voice over Internet Protocol) services such as Skype.
- ▶ Throughput speed: The actual speeds delivered to consumers over a broadband connection, usually measured in Megabits per second, and generally referring to the download speed.
- ▶ Upload speed: Also uplink or upstream speed. Rate of data transmission from a customer's connection to a network operator's access node, typically measured in Kilobits per second (Kbit/s).
- ▶ Download limit (or usage cap): Monthly limits on the amount of data which broadband users can download, imposed by some ISPs.
- ▶ Voice over Internet protocol (VoIP): A technology that allows users to send calls using Internet Protocol, using either the public Internet or private IP networks.
- ▶ Wireless Fidelity (WiFi): Short range wireless technologies using any type of 802.11 standard, such as 802.11b or 802.11a. These technologies allow an over-the-air connection between a wireless client and a base station, or between two wireless clients.
- ▶ Wireless router: A computer networking device that enables wireless Internet access.