A Research De-Brief for ComReg

Prepared by
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1. Research Objectives

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Change Research

- Recent years have witnessed an extraordinary rate of change for Irish consumers in relation to telecommunication services.
- Amárach has tracked these changes in quarterly surveys for ComReg in recent years – giving measurable indices of the scale and scope of key trends in the market.
- In October 2006, ComReg commissioned Amárach to conduct qualitative research among Irish consumers to examine in detail some of the trends emerging in our quarterly surveys, and to better understand the 'why' behind the 'what' of change in Irish consumer telecommunications markets, including the internet.
- This report presents the key findings of the research.

2. Our Methodology

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A Qualitative Approach

- Amárach conducted six focus groups in October 2006 in three locations in the Republic of Ireland.
- The groups comprised consumers with a number of demographic characteristics, representing core segments of the telecoms buying marketplace.
- In addition to demographic criteria, participants were recruited on the basis of their familiarity with mobile, fixed line and internet services.
- All the groups were conducted by trained Amárach research personnel, in compliance with ESOMAR and MRS guidelines.
- Full details of the composition and location of the groups – and recruitment criteria – are given on the next slide.

Group No	Gender	Age	Social Class	Region	Date
1	Mixed	20-30	BC1	Galway	October 16th
2	Mixed	31-60	C2/DE	Galway	October 16th
3	Mixed	20-30	BC1	Dublin	October 17th
4	Mixed	31-60	C2/DE	Dublin	October 17th
5	Mixed	20-30	BC1	Waterford	October 17th
6	Mixed	31-60	C2/DE	Waterford	October 17th

Additional criteria:

All had access to the internet from some location
At least 6 per group to had home internet access
All Must have a mobile phone
At least 4 respondents per group from a mobile only home
At least 4 per group had access to BOTH a landline and mobile phone
At least 2 respondents per group had switched landline provider in the past 12 months
Mix of home owners and renters and male and female respondents

A Wide Ranging Discussion

- Each of the focus groups explored a wide range of topics, including:

  - fixed line usage and experience
  - fixed line switching intentions and issues
  - experience of and interest in bundles
  - home internet usage and experiences
  - experience of broadband
  - intentions to switch to broadband and reasons
  - mobile phone usage and preferences
  - perceptions of value for money
  - mobile switching intentions and experiences
  - awareness and usage of 3G

- The research gives us additional insights into the reasons for certain consumer behaviours as well as indications for future developments.

- The following slides explore the key themes emerging from the groups in more detail – concluding each theme with a 'Consumer Foresight' note on the future implications of the trends revealed in the research.

3. Key Findings

To fix or not to fix, consumers increasingly question the need for fixed line telephones …

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Growing Fixation

- Most consumers in our groups had fixed line phones at home – mainly with eircom though several with Smart.
- But a number were ‘mobile only’ households, a segment that has been growing in Ireland.
- Those with landlines tend to see them as ‘more reliable’ than mobiles for the simple reason that they don’t need to be re-charged, and there is never a coverage issue:
  - “My mobile only works at the back of the house”.
  - “The phone (landline) even worked when there was a power cut”.
- A key factor is internet access – where a landline user also has internet access, then they are more likely to intend keeping the landline:
  - “Broadband means I can talk on the phone while my daughter is on the internet”.
  - “Smart broadband includes the line rental so why wouldn’t I use it?”.

Nearly 1 in 10 adults used to have a fixed line phone but no longer do.

Source: ComReg TRENDS, Q2 2006

Going Mobile

- There are nearly 9 mobile phone users for every 7 fixed line users in Ireland.
- Among those consumers in our groups who were 'mobile only' key reasons were a perceived lack of need for a fixed line, and a desire to avoid 'more bills':
  - "My girlfriend has a mobile and so do I, we don't need another phone".
  - "I just top up my mobile, so I don't want another bill".
- Most mobile only consumer also use the internet – but at work:
  - "We all just go online (at work) at lunchtime or first thing when I get in".
- Though there is some interest among them in eventually getting the internet at home, they are inclined to wait and see what newer 3G handsets and services will offer before deciding to go the fixed line route.

87% of adults have mobiles, and 72% have fixed line phones.

Source: ComReg TRENDS, Q3 2006

Consumer Foresight
Ireland's increasingly middle-aged population should create a more positive market landscape for fixed-line telephone providers who offer broadband-related services.

Consumers are interested in alternative landline providers, but the ‘Smart experience’ has left them very cautious …

Switching Experience

- Those who had switched their fixed line provider in the groups were generally very satisfied with their experience.
- Most switchers did so to get a better deal on calls, or because the new service came bundled with broadband.
- Several of the participants in the group were customers of Smart Telecom, who were exiting the fixed voice market at the time of the research.
- The Smart experience has left non-switchers (and some switchers) with a jaundiced experience of switching landline suppliers:
  - "I need broadband to work from home, and I've been waiting days to get re-connected after eircom pulled the plug on Smart" (Smart broadband customer).
  - "What's the point in switching if something like this can happen?"
- Non-switchers were generally satisfied with their fixed line service – generally their bills have come down even as line rentals have gone up.

Some 15% of landline users have switched their call provider.

Source: ComReg TRENDS, Q2 2006

Sales Calls

- One major source of complaint for many consumers is that of cold calling from existing or competing fixed line service providers soliciting switching to new services.
- Many found this intrusive, and even inclined some to switch just to stop the calls:
  - “I gave in in the end and changed to avoid more hassle”.
- All such calls related to fixed line service providers.
- A number of participants in the groups had switched back to eircom in the previous twelve months, usually because they were offered better deals than they were getting from eircom before they left.
- There was little perception that eircom were ‘dominating’ the market, simply because they were seen as the ‘fall back’ if it didn’t work out by switching to a competitor (such as Smart).

eircom has a 76% market share of the domestic fixed line market.

Source: ComReg TRENDS, Q3 2006

Consumer Foresight

Competition in the consumer telecoms market has worked in the sense that consumers see prices falling and service choices improving - even if they have not switched to competing providers.

Consumers are interested in bundled services that go beyond fixed line voice calls and rental …

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Bundling Up

- Consumers are increasingly aware of the potential for services such as phone, internet and television to be bundled by one provider.
- Though most have considered different packages for fixed line from competing providers (e.g.: BT and eircom), or packages from mobile providers (including voice and text bundles), their main interest is in more extensive bundles:
  - "I would love to just get one bill for my internet and mobile and home phone rather than three bills if it was cheaper".
  - "In England Sky now do broadband and phone calls, why don't they do that here?"
- Several of those who had switched their landline provider kept the line rental with eircom as they saw little savings in switching – even though they found it annoying to get two bills.
- Consumers are genuinely interested in bundled services for all their telecoms and entertainment needs – but no one is seen as providing the right package, yet.

4 in 10 adults subscribe to a digital television service.

Source: ComReg TRENDS, Q1 2006

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Consumer Foresight
Soon a majority of consumers will have access to digital television services - increasing further with digital terrestrial television – which will create a significant demand for bundled services because of familiarity and convenience.

Internet users are now in the majority in Ireland for the first time, but not all have the internet at home …

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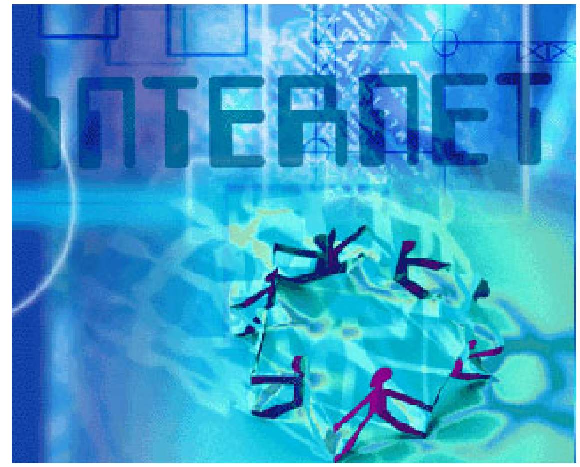
Net-Working

- Most of the consumers in the focus groups had been using the internet for 3 or more years.
- Many are now at the stage that they could not imagine life without it:
  - “My daughter is in Australia and I send her emails and she sends me photos and stuff every week or so”.
- Those with teenage children are likely to be the most heavy users of the internet at home, as well as those most likely to have broadband.
- Among those who do not have the internet at home but have it at work, there is little perceived need for the added access a home connection would provide:
  - “I’m on the internet all day at work, I don’t want to go near it when I get home”.
  - “I have wifi on my laptop, so I just use my neighbour’s wireless internet access since it isn’t password protected”.
- Though most eventually expect to have the internet at home (among those without it), it is seen as a low priority (and usually something they will do after they buy their own house etc).



51% of adults
use the internet from
any location.

Source: ComReg TRENDS, Q3 2006

Consumer Foresight

Consumer internet usage has a number of additional milestones to pass, including a majority of households using the net at home, then a majority of households using broadband at home – both will likely be passed by the end of the decade given consumer trends and preferences.

Broadband has enhanced
the internet experience for
hundreds of thousands of consumers …

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Bigger, Better, Faster, More

- Most broadband users at home have switched previously from dial up internet access.
- For all broadband users the experience has been transformative:
  - "It used to take me ages to do anything, even check my bank account, and I didn't even bother trying to download anything before I got broadband".
  - "My children seem to be spending more time on the internet than watching the telly since we got broadband last year."
- While consumers are aware of the debate about the high cost of broadband, most consider it to be good value for money by comparison to the old dial up service.
- The majority of broadband users were with eircom, and generally satisfied with the service they were getting – with little interest in switching for now.
- Some were conscious of their broadband being slower at certain times of the day, though few attributed this directly to contention ratios (even though most were aware of the concept).

As many home internet users have broadband as dial up.

Source: ComReg TRENDS, Q3 2006

Narrowband Users Remain

- A number of participants in the research were unable to get broadband at home because of lack of availability.
- Some had considered switching to ISDN instead, but found the price prohibitive.
- Though they eventually expect to get broadband (either because it will become available or because they will access it via mobile or other technologies), they are frustrated by the problem:
  - "I was told I couldn't get it but friends in a street near where I live can get it".
  - "It is ridiculous in this day and age that they can't use satellites or something to give us all access to broadband".
- A few narrow band users at home in the groups were reasonably content to stick to dial up services simply because they found they had little use at home (having access at work) and did not want to make the extra payments as they saw it for broadband.

Nearly half (46%) of home internet users without broadband say they cannot get it in their area.

Source: ComReg TRENDS, Q2 2006

Differing Regional Picture

- There are undoubtedly large differences in internet usage across Ireland's regions.
- Though participants in our Galway and Waterford groups had the same profile as our Dublin groups in terms of technology usage, they were more likely to have had problems getting broadband services:
  - "They told me it would be available in my area eventually, but that was over a year ago and it's still not there".
  - "I have it (broadband) at work, otherwise I wouldn't be able to do things I want as I only have ordinary internet at home".
- There tended to be more frustration among internet users outside of Dublin about the 'poor service' they were getting relative to the capital – including availability and competing choices.
- Perceived regional disparities were confined to the broadband issue, and did not extend to mobile phone services, or digital television services.

Nearly half (48%) of Dubliners have the internet at home versus just over a third (36%) of those in Connaught/Ulster.

Source: ComReg TRENDS, Q3 2006

Consumer Foresight

The near ubiquitous use of the internet among younger consumers (at home and work) has created a generation who will drive demand for higher bandwidth services and expectation of their ready availability any where, any time (including Ireland's regions).

The internet is still predominantly a communications channel rather than an entertainment or shopping channel …

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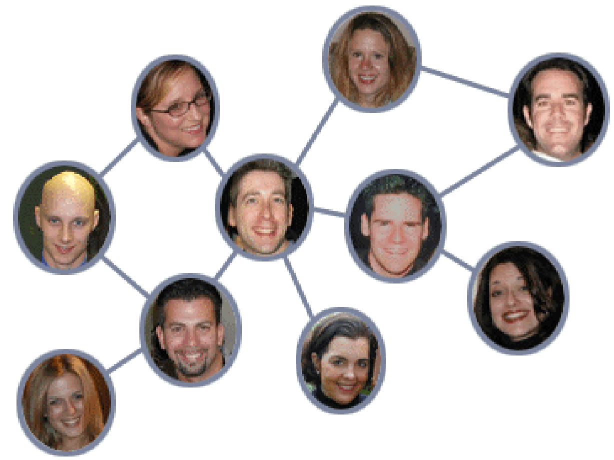
To Bebo or Not to Bebo?

- For broadband households with teenage children, the predominant usage of the internet is that of communication – indeed this is true of most users.
- The development of social networking sites like Bebo and MySpace has changed the way many younger users use the net, as well as the amount of time they spend online.
- Though few of those in the groups were on Bebo themselves, most of those with older children were aware of its impact:
  - "They (respondent's children) often have their friends over just to look at Bebo and chat to friends online and stuff".
  - "I used to fight with my daughter all the time when she was on the internet before we got broadband as I couldn't use the phone, but that's all changed now."
- Most home users now bank online – but still very few shop online, except occasionally for books and CDs, with men more interested in online shopping than women.



Communicating via email is the joint number one reason with browsing for using the net.

Source: ComReg TRENDS, Q3 2006

Can you hear me?

- There is a growing interest in the potential for the internet to replace fixed line calls among broadband users.
- However, though most have heard of Skype and similar services, very few have actually experienced it for themselves – or even explored how they might do so.
- Nevertheless, there is a clear perception among broadband users in particular that the internet will continue to change the way many of them communicate, work and shop, mostly for the better.
- A clear example of this lifestyle changing potential is that of music buying – with all younger participants in the groups now using the internet to download music for their iPods and MP3 players:
  - "I haven't bought a CD in over two years since I got my iPod, and now I go into music shops to see if there are any albums I should get and I then I just get them on iTunes".

One in twenty home internet users uses Skype or similar VoIP services.

Source: ComReg TRENDS, Q3 2006

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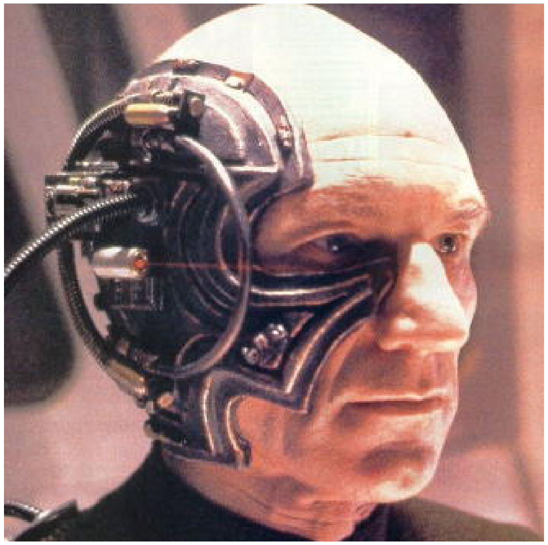
Consumer Foresight

Irish consumers are still only at the early stages of exploring the full potential of broadband internet access for their leisure, family and working lives – again the younger generation are leading by example, and the explosion of social networking will feed through into rising demand for products and services online, from entertainment to banking.

Most consumers would rather leave their house without their keys than without their mobile …

Mobile Prosthesis

- Most mobile phone users in our research were top up/pay in advance users – in line with the general population – even those with an array of internet and digital services at home.
- The habit of topping up your mobile has become just that – an ingrained habit that consumers are reluctant to change, no matter how 'economically sensible' it might be to switch.
- Though this reflects to some degree an attempt to limit exposure to more bills, it also reflects a perception that they are getting good value already with their mobile phone services and any savings by going to bill pay will be marginal:
  - "I just top it up with €20 at the start of the week and that does me usually".
- Indeed, Irish consumers are extremely dependent on their mobiles – with almost all admitting they would rather leave their keys or purse or wallet at home than their mobile!



Over three quarters (78%) of mobile users are top up users rather than bill pay.

Source: ComReg TRENDS, Q3 2006

Customer Switching

- Consumers are more likely to switch their mobile phone service provider than their fixed line provider, particularly those in younger age groups.
- Several consumers in each of the groups complained about 'unexpected costs' in relation to using their mobiles (e.g.: expensive downloads) – again, this was especially the case with younger consumers.
- Though much of this was sometimes unfairly blamed on the network they were using at the time, it nevertheless inclined them to shop around – although cheaper competing services were cited more often than dis-satisfaction with their existing service as a reason to switch supplier:
  - "My friends are all on Meteor and its only 1 cent a text so I switched to them".
- Word of mouth is highly influential in switching mobile network among younger, pre-paid customers – and will continue to be so for the foreseeable future.

Over a third (35%) of mobile users have shopped around to compare prices with other networks.

Source: ComReg TRENDS, Q1 2006

Plenty of Choice

- Consumers tend to have strongly held images of the different mobile network providers, influenced mainly by age.

- Older consumers tend to see Vodafone and O2 as the networks more 'for people like us', than the younger networks – and not surprisingly, younger consumers see the younger networks as being more for them (though they may actually be O2 or Vodafone customers!).

- Most decisions in relation to switching are usually as a result of a need to upgrade or replace a handset – which usually prompts a review of different network offers:
  - "I lost my phone and had to get a new one, all my friends said I should change (to another network provider) so I did".

- None of the participants in the groups were customers of 3 (the network) – though several were using 3G handsets.

Nearly 13% of mobile users have switched their network.

Source: ComReg TRENDS, Q2 2006

1, 2 … 3G?

- Several participants in the groups had 3G phones, including built in 2mp cameras and other features.
- Across all age groups there is a general ease with using SMS on mobiles – though few have used GPRS or WAP type services such as 'Vodafone Live' or 'O2 Active':
  - "I know my phone can do all that stuff, but I'm happy with just calls and text messaging".
  - "My children are always taking pictures with their mobiles and they even put them on the internet on Bebo for their friends to see."
  - "I wouldn't be bothered taking pictures with my phone since I have a really good digital camera at home".
- Consumers are very interested in the potential for new services on their mobiles, though older consumers consider screen size to be a barrier to using their mobile for watching TV – and none were keen on video calling.
- Some of the older consumers in the groups were keener on handsets more appropriate to their needs – including larger buttons and bigger text and screens.

Only 6% of mobile users have 3G phones, but another 9% intend getting them in the next three months.

Source: ComReg TRENDS, Q2 2006

Consumer Foresight

The Irish love affair with their mobile phones may have moved on from the earlier, passionate phase; but it is settling down into a comfortable, companionable phase as mobile phones and mobile services merge with consumer behaviour - to a point where consumers will be no more conscious of mobile technology than they are nowadays of electricity.

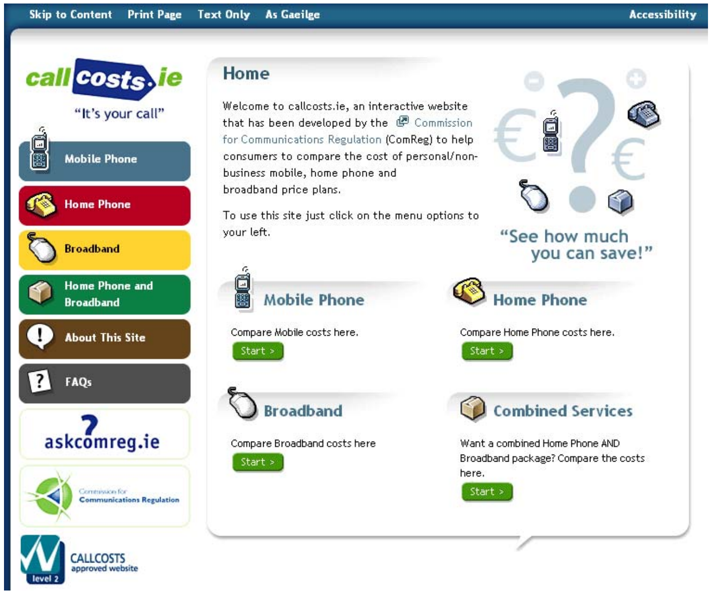
4. Implications for ComReg

A Welcome Future

- The picture that emerges from this research for ComReg is that of confident consumers at ease with technology and open to new products and services.
- Irish consumers have adopted quickly and happily to the features and benefits offered by mobile, internet and digital technologies.
- Though some points of dis-satisfaction remain in relation to broadband access, generally consumers feel they have real choices and alternatives in most of the categories they shop in.
- Consumers also look forward to the further bundling together of telecoms services in a single bill, as well as to the 'fusion' of mobile, internet and digital technologies in the home.
- It would seem then that – late 2006 – Irish consumers look forward to the technological future more with anticipation than in 'shock'.

The Communications Challenge

- Consumers are increasingly aware of their rights and insistent on regulators and other authorities protecting those rights.
- However, they are bombarded with thousands of advertising and communications messages every week – and this makes it difficult to get ‘cut through’ (i.e.: consumer recognition of the advert and correct association with the advertisers).
- This is reflected in the low awareness of consumer initiatives by ComReg such as ‘callcosts.ie’.
- Though most consumers in our groups were aware of ComReg and had some sense of its influence in relation to the telecoms sector, they nevertheless were unclear about the boundaries of ComReg’s remit (e.g.: in relation to persistent cold calling by telecom service providers), and about accessing ComReg in relation to queries and problems.
- This suggests the need for consistent and constant communications by ComReg to the general public in order to overcome these barriers identified in the research.



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THANK YOU

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