

Americans' perspectives on early termination fees and bill shock

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Summary of Findings

The Federal Communications Commission's new survey of American consumers of broadband and cell phone service finds that one in six cell phone users has experienced "bill shock" (i.e., a sudden increase in their monthly bill when they have not changed their service plan). Among those who have experienced bill shock, few were alerted by carriers that it was coming – before or after the bill arrived. Specifically:

- 17% of American adults with a personal cell phone said that at one time their cell phone bill increased suddenly from one month to the next, even though they had not changed their calling or texting plans.

This translates into approximately 30 million Americans who have at one time had "bill shock" on their monthly bill. Overwhelmingly, these Americans were not contacted by their carriers about the change in their bill. Specifically, among those who experienced bill shock:

- 88% said their cell phone company did not contact them *after* their bill suddenly increased.
- 84% said their cell carrier did not contact them when they were about to exceed their allowed minutes, text messages, or data downloads.

The survey also queried consumers about early termination fees (ETFs) for cell phone and home broadband service. The results showed that significant numbers of consumers of both services would either be subject to ETFs or were not sure whether they would be. Among those who stated affirmatively that they would incur a fee if they tried to terminate service, many did not know what the fee would be.

- For those with personal cell phones, 54% said they would have to pay an ETF and 18% did not know whether they would have to pay a fee.
- For home broadband customers, 21% said they would have to pay an ETF and 38% did not know if they would have to pay a fee.

Among personal cell phone users who said they were subject to an ETF, 47% did not know what the amount of the fee would be. For home broadband users who said they would have to pay an ETF, 64% did not know the amount of the fee.

The survey also asked questions of cell phone users about their attitudes toward several attributes of their cell phone service.

- 58% said they were *very* satisfied with how many places they can get a good signal, and another 29% said they were *somewhat* satisfied with this dimension of their service.

I. Bill shock for cell phone users

Some 83% of adult Americans have a cell phone and 80% of adults have a personal cell phone (i.e., one for which their employer does not pay the bill). Among those with a personal cell phone, 17% say that at one time their cell phone bill has increased suddenly from one month to the next – even when they have not changed their calling or texting plan. This translates into approximately 30 million Americans who have experienced bill shock.

Perhaps unsurprisingly, a sudden bill increase is a bit more likely to occur for young people and parents with minor children living at home. One fifth (20%) of those between the ages of 18 and 29 have experienced a sudden increase in their cell phone bill and a similar number (21%) of those between the ages of 30 and 49 say this. For parents with minor children at home, 21% say they have had a sudden increase in their monthly cell phone bill (see Exhibit 1).

Exhibit 1:

Consumers who have experienced sudden bill increases by selected demographics (% of cell phone users)	
Total	17%
Male	17
Female	17
18-29	20
30-49	21
50-64	15
65+	7
White, non-Hispanic	16
Black, non-Hispanic	20
Hispanic	20
Less than \$30,000	16
\$30,000-\$49,999	20
\$50,000-\$74,999	17
\$75,000 or more	19
Parents with children under 18	21
Source: Federal Communications Commission, Wired and Wireless Internet Survey of 3,005 U.S. adults, April-May 2010. Based on those who have a personal cell phone (n=2,463).	

Among cell phone users who have seen a sudden increase in their bills, this is what they said when asked to estimate the size of the most recent increase:

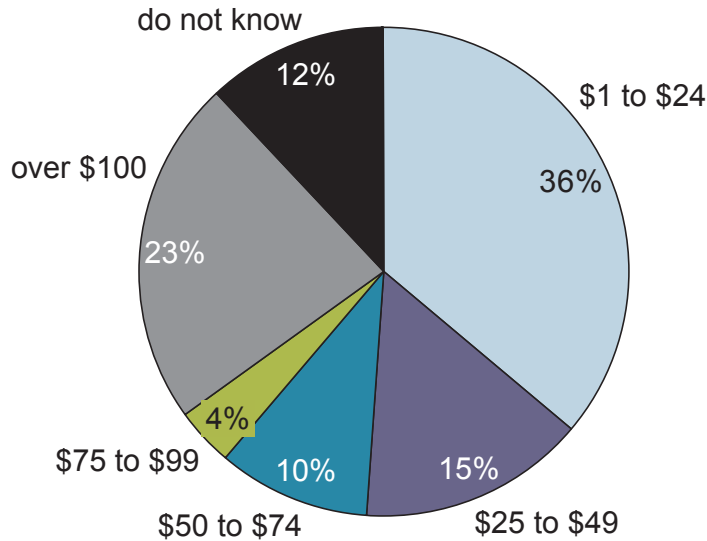
- 36% say the increase was between \$1 and \$24.
- 15% say the increase was between \$25 and \$49.
- 10% say the increase was between \$50 and \$74.

- 4% say the increase was between \$75 and \$99.
- 23% say the increase exceeded \$100.
- 12% could not identify how big the increase was.

Exhibit 2:

Size of Cell Phone Bill Increase

(among those whose bill increased suddenly)



Source: Federal Communications Commission, Wired and Wireless Internet Survey of 3,005 U.S. adults, April-May 2010. Based on those whose cell phone bill increased suddenly (n=391).

Most of the time, carriers did not contact those who had (or were about to have) an increase in their cell phone bill. Among those who experienced a sudden rise in their cell phone bill:

- 88% say they were not contacted by their cell phone company after their bill suddenly increased.
- 84% said they were not contacted when they were about to exceed their limits on minutes of use, text messages, or data downloads.

II. Early termination fees

Cell phone service

As part of this survey, cell phone users received questions about whether they have to pay a fee or penalty if they were to cancel service and if they were aware of how much such a fee would be. Among those with a personal cell phone:

- 54% said they would have to pay a fee.
- 28% said they would *not* have to pay a fee.
- 18% did not know whether they would have to pay a fee.

Young people are particularly likely to say they are subject to ETFs for their cell phone plan. Two-thirds (66%) of those between the ages of 18 and 29 say they would have to pay a fee to terminate their service. This stands in stark contrast to senior citizens; just 30% of those over age 65 say they would be subject to an ETF.

Among the group of personal cell phone users (54%) who said they would be subject to an ETF, 47% did not know the level. For those who said they would have to pay a fee, 29% said the early termination fee would exceed \$200, 14% said it would be between \$150 and \$199, 6% said the range was between \$100 and \$149, 3% said it was between \$50 and \$99, and 1% said it would be \$1 to \$49.

Put differently, among those who said they had an ETF *and* could identify the level – and that is 28% of all personal cell phone users – most (56%) report that the fee exceeds \$200.

ETFs and consumer behavior

Beyond the question of whether they may be subject to ETFs, the survey also explored the extent to which people actually faced ETFs when they switched cell phone service. Those with cell phones were asked whether they have switched cell phone providers in the past three years, and one in five (19%) of cell users said they had switched service providers.

Among this subset of respondents who switched cell phone providers in the prior three years, three quarters (74%) said they paid no fees. This is a much higher figure than the share of cell users (28%) who say they would be subject to an ETF if they ended service – and significantly higher than would be the case if one assumed a portion of the 18% who did not know whether they would be subject to an ETF would not be. It is possible that many of those who switched cell service in the prior three years waited until they would no longer face ETFs from their service provider.

As to the level of the ETFs, here is what those who have switched service in the past three years said:

- 74% paid no ETF when they switched.
- 12% paid \$200 or more.
- 4% paid between \$150 and \$199.
- 3% paid between \$100 and \$149.
- 1% paid between \$50 and \$99.

- 6% did not know or could not remember.

ETFs may also play a role in consumer behavior among those who consider changing their cell phone service provider. When asked whether paying an ETF was a factor behind a decision to keep service – even though they might have seriously considered switching – a majority (61%) of personal cell phone users said the ETF was at least somewhat influential. Specifically, among personal cell phone users:

- 43% said paying an ETF was a *major* reason they kept service with their current carrier.
- 18% said paying an ETF was a *minor* reason they kept service with their current carrier.
- 34% said it was not a reason behind a decision to stay with their current carrier.
- 4% responded that they did not know.

For those who had to pay an ETF, some first learned they would have to pay a fee when they contacted the company to terminate service, others when they received their final bill, and many knew, from when they first signed up for service, that they would have to pay the fee.

To put this into context, the survey asked personal cell users about other factors that might mean they keep their cell phone service, even if they had considered a switch. Other factors clearly come into play – the need to get a new cell phone upon a switch, putting down a deposit, or just the hassle of ending one contract and starting a new one. Exhibit 3 lays out all the reasons.

Exhibit 3:

Reasons consumers would keep current cell phone company (based on those who have a personal cell phone)				
	MAJOR reason	MINOR reason	Not a reason	Don't know
Paying termination fees to your current cell phone company	43%	18%	34%	4%
Paying set-up or installation fees to get new service	43	28	25	4
Putting down a deposit to get a new service	44	23	28	4
Dealing with the hassle of ending one contract and starting a new one	39	24	32	5
Having to get a new cell phone	33	26	38	4
Spending considerable time to set up the new service	36	27	32	4

Source: Federal Communications Commission, Wired and Wireless Internet Survey of 3,005 U.S. adults, April-May 2010. Based on those who have a personal cell phone (n=2,463).

ETFs and the consumer's cell phone bill

As noted, many cell phone users do not know if they have to pay an ETF and many, if they are aware that an ETF applies, do not know its level. One possible reason for this: consumers' cell phone bill may not be clear enough, to some people at least, so they can acquire and understand information about ETFs. When asked to assess how clear the information on their cell phone bill is when it comes to ETFs, cell users familiar with the bill (83% of cell-using respondents) said the following:

- 36% said the information was *very* clear.
- 12% said it was *somewhat* clear.
- 10% said it was *not too* clear.
- 14% said it was *not at all* clear.
- 10% said it was not on the bill.
- 7% said they used a prepaid phone.
- 10% said they did not know.

Overall, this comes to 34% of personal cell phone users who are familiar with their bill who say information about fees they would have to pay to switch service is not clear. By contrast, few of this same group of respondents says this when thinking about how much they pay per month for service (5% say such information on the bill is not clear) or how to contact the company with a question (also 5%).

Home broadband service

The story for ETFs is somewhat different for home broadband service. Among home broadband users:

- 21% say they would have to pay a fee or penalty if they terminated service to switch to another company.
- 41% said they would not have to pay any fee.
- 38% said did not know whether they would have to pay a fee or not.

Younger broadband users are more likely to say they would have to pay an ETF for broadband; 31% of broadband-using adults under the age of 30 say they would have to pay an ETF if they were to switch broadband providers versus 16% of remaining broadband users. Lower income broadband users are more likely to say they have an ETF. Some 28% of those living in households whose annual income is \$30,000 or below say they would have to pay an ETF versus 17% in households with annual incomes over \$75,000 who said this (see Exhibit 4).

It is worth noting that the pattern of awareness of whether they face an ETF is – when focusing on income levels – different for broadband and cell service. Lower income broadband users are more likely than wealthier ones to say they face an ETF for broadband. For cell phone service, upper income consumers are more likely than lower income ones to say they would face an ETF.

Among the 21% of home broadband subscribers who are subject to an ETF, nearly two-thirds (64%) do not know what their fee would be. For those who would have to pay a fee, 13% say the ETF would be more than \$200, 14% say it would fall between \$100 and \$149, 6% said between \$50 and \$99, and 3% said between \$1 and \$49.

III. Cell phone coverage

The survey also explored consumers' level of satisfaction with their cell phone signals. When asked how satisfied they are with how many places they can get a good signal, 58% of personal cell users said they were *very satisfied* with this and another 29% said they were *somewhat* satisfied. This means that, overall, 87% of personal cell phone users are at least somewhat satisfied with the coverage of their signal.

Suburban residents are more likely to say they are very satisfied with their cell phone signal – 61% are very satisfied, compared with 56% of urban cell phone users and 52% of rural cell phone users. It is also notable that older cell phone users report higher levels of satisfaction with the quality of their signal. Some 61% of cell phone users over the age of 50 are very satisfied with their signal while 52% of those between the ages of 18 and 29 say this. It may be that younger people, who are more reliant on their cell phone than older users, are more discriminating about assessing the quality of their signal.

Exhibit 4:

Percent of Consumers Facing Early Termination Fees (by technology and selected demographics)					
	Home broadband		Cell Service*		
	Yes	Don't Know	Yes	Don't Know	
Total	21%	38%	54%	18%	
Male	21	36	54	16	
Female	20	41	54	19	
18-29	30	36	66	12	
30-49	19	37	57	14	
50-64	17	43	50	18	
65+	14	35	30	35	
White, non-Hispanic	19	39	54	18	
Black, non-Hispanic	30	38	47	15	
Hispanic	28	28	52	20	
less than \$30,000	28	37	45	18	
\$30,000-\$49,999	24	34	56	14	
\$50,000-\$74,999	20	40	59	16	
\$75,000 or more	18	37	62	16	
Urban	23	40	53	17	
Suburban	21	36	56	17	
Rural	15	44	53	19	
Northeast	23	40	58	17	
Midwest	20	38	50	22	
South	21	36	52	18	
West	20	40	57	14	

Source: Federal Communications Commission, Wired and Wireless Internet Survey of 3,005 U.S. adults, April-May 2010. Home broadband user percentages based on 1,742 respondents. Columns with asterisk based on those who have a personal cell phone (n=2,463).

About the survey

The FCC's survey of consumers, conducted by Abt/SRBI and Princeton Survey Research Associates, International from April 19 to May 2, 2010, interviewed 3,005 American adults. The national random digit dial survey was conducted in English and Spanish and the sample included both landline and cell phones. For responses based on those with personal cell phones (2,463 respondents) the margin of error is plus or minus two percentage points. For responses based on home broadband users (1,742 respondents), the margin of error is plus or minus 2.6 percentage points.

I. Bill Shock

Q2. As I read the following list of things some people have, please tell me if you happen to have each one, or not. Do you have... **[INSERT ITEMS IN ORDER]**?

	<u>Yes</u>	<u>No</u>	<u>DK</u>	<u>Ref.</u>
a. A landline phone at home	78	22	*	0
b. A cell phone..or a Blackberry or i-Phone or other device that is also a cell phone	83	17	*	*

Q52. Has your cell phone bill ever increased suddenly, from one month to the next, even if you did not change the calling or texting plan for your phone?

Based on those who have a personal cell phone (n=2463)

- 17 Yes
- 75 No
- 7 **(DO NOT READ)** Don't know
- * **(DO NOT READ)** Refused

Q53. Do you happen to remember how big the most recent increase was? Was it...(READ)

Based on those whose cell phone bill increased suddenly (n=391)

- 36 Yes, \$1 to \$24
- 15 Yes, \$25 to \$49
- 10 Yes, \$50 to \$74
- 4 Yes, \$75 to \$99
- 23 Yes, \$100 or more
- 12 No, don't know how much fees would be
- * **(DO NOT READ)** Refused

Q54. Now please tell me if your cell phone company has ever contacted you... [INSERT; READ AND ROTATE]? Have they ever contacted you...[INSERT NEXT ITEM]?

Based on those whose cell phone bill increased suddenly (n=391)

	<u>Yes</u>	<u>No</u>	<u>DK</u>	<u>Ref.</u>
a. When you were about to exceed your allowed minutes, text messages, or data downloads	14	84	2	0
b. After your bill suddenly increased	10	88	1	0

II. Early Termination Fees

Cell phone service

Q49. Do you happen to know if you would have to pay your cell phone company a termination fee or penalty if you cancelled your current cell phone service?

Based on those who have a personal cell phone (n=2463)

- 54 Yes, would have to pay fees
- 28 No, would not have to pay fees
- 18 **(DO NOT READ)** Don't know
- * **(DO NOT READ)** Refused

Q50. Do you know how much those fees would be? [If YES, ASK: About how much would the termination fees be?] [DO NOT READ CATEGORIES; PRECODED OPEN-END]

Based on those who say "yes" in Q49 that they would have to pay a fee (n=1240)

- 1 Yes, \$1 to \$49
- 3 Yes, \$50 to \$99
- 6 Yes, \$100 to \$149
- 14 Yes, \$150 to \$199
- 29 Yes, \$200 or more
- 47 No, don't know how much fees would be
- * **(DO NOT READ)** Refused

ETFs and consumer behavior

Q47. Now I would like to ask you specifically about the bills you receive for YOUR CELL PHONE SERVICE. (First,/Next,) How clear is...[INSERT; READ AND RANDOMIZE] on your bill?

READ FOR FIRST ITEM, THEN AS NECESSARY: Is this information very clear, somewhat clear, not too clear or not at all clear on your cell phone bills?

Based on those familiar with cell phone bill (n=2022)

	<u>Very</u>	<u>Some</u>	<u>Not too</u>	<u>Not at all</u>	<u>Not on bill</u>	<u>Pre-paid</u>	<u>DK</u>	<u>Ref.</u>
a. How much you are paying for cell phone service	71	16	3	1	1	6	2	*
b. How to contact the company if you have a question about the bill or service	78	10	2	2	1	5	2	*
c. Any fees you would have to pay if you switched to another cell phone company	36	12	10	14	10	7	10	*

Q55. Now thinking about the past three years, have you switched your cell phone service from one company to another?

Based on those who have a personal cell phone (n=2463)

- 19 Yes
- 80 No
- 1 **(DO NOT READ)** Don't know
- * **(DO NOT READ)** Refused

Q59. The last time you switched cell phone companies, did you [INSERT; READ AND RANDOMIZE]?

Based on form B respondents who switched cell phone companies in past 3 years (n=232)

	<u>Yes</u>	<u>No</u>	<u>DK</u>	<u>Ref.</u>
a. Have to pay a termination fee to the old company	22	74	4	0

Q60. What was the total of the termination fees you had to pay your old cell phone company to end service? [IF NECESSARY: READ ANSWER CATEGORIES]

Based on form B respondents who switched cell phone companies in past 3 years (n=232)

- 74 No fees
- 0 Yes, \$1 to \$49
- 1 Yes, \$50 to \$99
- 3 Yes, \$100 to \$149
- 4 Yes, \$150 to \$199
- 12 Yes, \$200 or more
- 6 Do not know or remember how much fees were
- 0 **(DO NOT READ)** Refused

Q51. What are some reasons you would KEEP your current cell phone company, even though you might have seriously considered switching companies? Would **[INSERT ITEM AND RANDOMIZE]** be a major reason, a minor reason, or not a reason at all for keeping your current cell phone company? How about **[INSERT NEXT ITEM]**?

[READ IF NECESSARY: Was this a major reason, a minor reason, or not a reason you would keep your current cell phone company?]

Based on those who have a personal cell phone (n=2463)

	<u>Major</u>	<u>Minor</u>	<u>Not</u>	<u>DK</u>	<u>Ref.</u>
a. Paying termination fees to your current cell phone company	43	18	34	4	*
b. Paying set-up or installation fees to get new service	43	28	25	4	*
c. Putting down a deposit to get a new service	44	23	28	4	*
d. Dealing with the hassle of ending one contract and starting a new one	39	24	32	5	1
e. Having to get a new cell phone	33	26	38	4	*
f. Spending considerable time to set up the new service	36	27	32	4	*

Q61. When did you learn you would have to pay these fees... when you first signed up for the cell phone service, when you contacted the company to say you would terminate service or when you received the bill?

Based on form B respondents who switched cell phone companies in past 3 years and had to pay termination fee (n=45)

- 33 When you first signed up for the service
- 40 When you contacted the company to terminate
- 25 When you received the bill
- 0 Other
- 3 **(DO NOT READ)** Don't know
- 0 **(DO NOT READ)** Refused

*Home broadband service**

* Toplines reported in this section may not match text as these are for ALL home internet users, while the text reports results for those respondents with broadband connections at home.

Q25. Do you happen to know if you would have to pay your current internet company any termination fees or penalties if you terminated the service and switched to another company?

Based on those who have broadband access at home (n=1742)

- 21 Yes, would have to pay fees
- 41 No, would not have to pay fees
- 38 **(DO NOT READ)** Don't know
- * **(DO NOT READ)** Refused

Q26. Do you know how much those fees would be? **[IF YES, ASK: About how much would the termination fees be?] [DO NOT READ CATEGORIES; PRECODED OPEN-END]**

Based on those who answered "yes" to Q25 that they would have to pay a fee (n=321)

- 3 Yes, \$1 to \$49
- 6 Yes, \$50 to \$99
- 14 Yes, \$100 to \$199
- 13 Yes, \$200 or more
- 64 No, don't know how much fees would be
- * **(DO NOT READ)** Refused

III. Cell phone coverage

Q46. Now I would like to talk about how satisfied you are with various aspects of your cell phone service. (First/Next,) how satisfied are you [INSERT IN ORDER] ...

[READ FOR FIRST ITEM, THEN AS NECESSARY: very satisfied, somewhat satisfied, not too satisfied or not at all satisfied]?

Based on those who have a personal cell phone (n=2463)

	<u>Very</u>	<u>Some</u>	<u>Not too</u>	<u>Not at all</u>	<u>Doesn't apply</u>	<u>DK</u>	<u>Ref.</u>
e. With how many places you can get a good signals	58	29	8	4	1	1	*