

**Broadband decisions:
What drives consumers to switch – or stick with – their broadband
Internet provider**

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SUMMARY OF FINDINGS

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The Federal Communications Commission's April 2010 survey sought to understand the context surrounding people's decisions about their home broadband service. Specifically, the survey explored the considerations people have in mind when contemplating or making a change in broadband service. This involved asking people who have not switched service providers whether they considered doing so and what influenced their decision to stick with their provider. For those who have switched service, the survey inquired about why they did so and how the process of changing service went for them.

The survey found that, at least in the prior three years, a minority of home broadband subscribers switched service providers. The survey also found that there are things that inhibit users from switching service, such as the need to pay set-up fees for new service and the basic hassle of making a switch. Those who have switched broadband providers are typically looking for better price or performance, and very few switched because they want additional features from their providers such as more email accounts or online storage.

Here are the survey's main findings:

Just over one-third of Internet users changed their service provider in the prior three years.

- When asked whether they had switched service in the prior three years, 36% of Internet users had done so, while 62% had not.
 - 23% of online users switched once in this time frame.
 - 13% switched more than once.
- Of those who had switched, 43% also moved residences within the prior three years.

Among those who have not switched Internet service providers (ISPs) in the prior three years, few have considered making a change in ISP service.

- 30% of those who have not switched ISPs have considered switching, 13% *very seriously* and 17% *somewhat seriously*.
- 69% of those who have not switched ISPs say they have not considered it; 54% have *not at all seriously* considered changing ISPs and 15% have *not too seriously* considered it.

Among broadband users who say they have a choice of Internet service providers, a minority would seriously consider switching to a provider in their area and a majority thought it would be at least somewhat easy to do.

- Just 21% of broadband adopters with a choice of more than one provider say they would seriously consider presently changing their ISP.
- 63% of broadband adopters with a choice of multiple providers said it would be easy to switch providers, with 33% saying it would be *very easy* and 30% saying it would be *somewhat easy*.

Financial and non-financial factors, such as installation fees or the hassle of getting new service, can inhibit consumers from changing service.

When asked about things that might keep them from switching service, broadband users with the choice of more than one provider said the following:

- 50% said paying set-up or installation fees were *major* factors in keeping service.
- 43% said dealing with the hassle of getting new service installed was a *major* reason they have kept service.
- 40% said putting down a deposit for new service was a *major* reason for keeping their service.
- 39% said that having to change their current bundle of Internet, TV, and phone service was a *major* reason for keeping service.
- 34% said having to give up their current email address from their ISP was a *major* reason for not changing service.
- 32% said paying termination fees to their current ISP was a *major* reason for keeping service.

Internet users who have switched service in the past three years cite a desire for better service or price as a reason for their change. Very few of those who changed service said it was because they wanted more features from their provider, such as more email accounts or online storage.

Among the 36% of Internet users who have switched service in the past three years, here is what they say when asked to identify the *major reason* for the change:

- 49% said the desire for a faster or higher-performance Internet connection was a *major* reason for the switch.
- 47% said getting a better price on service was the *major* reason behind the change.
- 39% said getting a bundle of Internet, TV, and phone services from a single company was the *major* reason for the switch.
- 28% said poor customer service from their old ISP was the *major* reason for the change.
- 9% said getting more features such as more email accounts or online storage was the *major* reason for the switch.

Introduction

The Federal Communications Commission's April 2010 survey sought to explore the context in which consumers make decisions about broadband service at home.¹ In doing so, the survey asked home broadband users what factors are important to them in choosing a provider; whether they have considered switching their home broadband providers; and whether, in the past three years, they have in fact changed their home Internet service provider.

The National Broadband Plan (NBP) suggests the reasons why undertaking such a survey is important. Although the analysis underpinning the NBP went to great lengths to explain why some one-third of adult Americans do not have broadband at home, the NBP also emphasized the need for policymakers to understand better what shapes adoption choices. The NBP observes that many fixed broadband users "have little information about the actual speed and performance of the service they purchase" and goes on to note research gaps in understanding "price and service terms and conditions."²

The survey results reported here, in conjunction with earlier reports on users' perspectives on broadband speed and on bill shock and early termination fees for cell phones, fulfill the NBP's promise that the FCC would field a survey on these issues and produce a report analyzing results.³

Overview of adoption

The April 2010 survey contained standard questions that seek to determine whether the respondent is an Internet user, whether he or she uses the Internet at home and, if so, whether the home connection type is broadband.⁴ The survey found that 69% of adult Americans are Internet users, with 57% of adults having a high-speed Internet connection at home and just 5% having a dial-up connection. Some 6% of adults are online users but do not access the Internet from home.

These figures differ from those contained in the FCC's October-November 2009 survey, which found that 78% of adults were Internet users, with 65% of adults having home high-speed connections. This drop in home broadband connections is puzzling, though not inconsistent with other research. The Pew Research Center's Internet & American Life Project's December 2009 survey found that 60% of Americans had broadband at home, a slight decline from the 63% figure registered in April 2009. Pew had also found in April 2009 that some Americans (7%) had cut back on home Internet service costs in

¹ The FCC survey was conducted between April 19 and May 2, 2010 and interviewed 3,005 adults in English or, if the respondent chose, Spanish. The margin of error is plus or minus 2 percentage points for the entire sample.

² *Connecting America: The National Broadband Plan*. Chapter 4, p.44.

³ *Ibid.*, p. 64, footnote 53.

⁴ See John B. Horrigan, *Broadband Adoption and Use in America*. OBI Working Paper Series No. 1. See page 14 for discussion of how connection type at home was determined in the survey.

the prior year. The persistence of the economic recession may have heightened that phenomenon and is, perhaps, reflected in the FCC's latest survey.

More recently, the Pew Internet Project found that broadband adoption changed little from 2009 to 2010, with 66% of adults reporting that they had broadband at home in an April 2010 survey.⁵ The different findings for broadband adoption from the FCC in April 2010 (57%) and the Pew Internet Project at the same time (66%) are significant. The FCC and Pew frame questions differently to determine broadband adoption and it is possible some of the difference is attributable to that fact. The Pew sample also did not conduct interviews in Spanish; because Hispanics who opt to take a survey in Spanish have lower broadband adoption rates than those who do not, the results from the Pew survey are likely to be several percentage points higher than would be the case with a Spanish-language option.⁶ Whatever the reasons for the differences – the economy, question wording, or sample – it seems clear that the days of rapid broadband adoption growth are, for now at least, past.

Frequency of switching home Internet service

The survey asked adults whether they have switched Internet service providers (ISPs) in the past three years and, if they have not switched, whether they have considered switching. Overall, 62% of home Internet users have *not* switched ISPs in the past three years, while 36% have done so one or more times.⁷ Among home broadband users, these figures are essentially the same, with 62% having not switched and 37% having done so in the past three years.⁸ Specifically:

- 23% of home Internet users have switched ISPs once in the past three years;
- 10% have switched twice; and
- 3% have switched more than twice.

The survey also inquired about whether the respondent had changed residences in the past three years, which would indicate whether the switch was prompted by moving to a new home or some other reason. Some 29% of respondents said they had changed residences in the past three years and, of those who moved, 50% also changed their Internet service provider. This means that those who moved and switched service account for 43% of all those who switched their ISP in the past three years.

Assuming an even distribution of switching in the three-year time horizon respondents thought about when asked the question, this means roughly 17% switch ISPs in a given

⁵ Aaron Smith, *Home Broadband Adoption 2010*. Pew Internet & American Life Project, August 2010. Available online at: <http://www.pewInternet.org/Reports/2010/Home-Broadband-2010.aspx>

⁶ In the October-November 2009 survey conducted for the National Broadband Plan, which did include a Spanish-language option, 65% of the entire sample had broadband at home. For English-speakers, 67% had broadband at home, while 20% of those who took the survey in Spanish had broadband at home.

⁷ Roughly 2 percent of home Internet users did not know or refused to answer the question.

⁸ The discrepancies between findings for broadband users and all users are small because the overwhelming majority of home Internet users (90%) have broadband connections.

year, with roughly 7% have switched and changed their residence at the same time.⁹ A later section of this report discusses the reasons why users switch ISPs.

To put this rate of service churn in context, 19% of cell phone users have changed service in the prior three years according to this survey. However, the FCC's *Mobile Competition Report* notes that monthly churn rates run between 1.5% and 3.3% per month, indicating annual churn could run between 18% and approximately 40%.¹⁰

Thinking about switching service

This section focuses on the 62% of respondents who have not switched ISPs in the past three years. For this group, the survey sought to understand the context for that answer – how seriously the respondent considered switching, whether the respondent believes there was a choice of provider in his or her area, and what factors were important in a choice not to switch.

As to how seriously home online users considered switching service, some two-thirds (69%) of those who have not switched ISPs in the past three years said they had not seriously considered switching. That breaks down to 54% who “not at all seriously” considered switching and 15% who “not too seriously” considered switching. That leaves, among those who have not switched ISPs in the prior three years, nearly one-third (30%) who did consider switching. In this group, 13% “very seriously” considered switching and 17% “somewhat seriously” considered switching. The figures for the narrower set of home broadband users do not differ from the ones for all home Internet users.

Shifting from the past to the present, the survey asked respondents whether they might *now* seriously consider switching to another ISP. To get at this question, the survey walked respondents through questions that sought to determine whether more than one broadband provider serves their area.

Those who said they had *more* than one provider where they lived were then asked if there was a broadband provider in their service area to which they would presently *seriously* consider switching. Among broadband adopters who believed they had more than one provider available – and that came to 71% of all home broadband subscribers – 21% said they would consider switching ISPs, while 75% said they would not.

The past switching behavior of those who say they would today consider a switch in ISP (again, among those who say they have more than one provider) is in line with that of the overall population of broadband users. Among the 21% of broadband users with multiple service providers in their area who would presently seriously consider switching, 35% said they switched their ISP in the past three years. That compares with the 36% average for all home Internet users.

⁹ This roughly takes into account those users who report switching ISPs multiple times over the three-year time horizon.

¹⁰ FCC 10-81, available online at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-10-81A1.pdf, paragraph 245.

Approximately one-third of broadband users with a choice of service providers thought it would be difficult or impossible to switch, while approximately two-thirds thought it would be somewhat or very easy to switch. Specifically:

- 33% said it would be *very easy* to switch ISPs;
- 30% said it would be *somewhat easy*;
- 21% said it would be *somewhat difficult*;
- 6% said it would be *very difficult*; and
- 4% said they *could not do it or it would be impossible*.

There are differences among broadband users in response to this question depending on how seriously they might consider switching. Those who say they would consider switching are somewhat less likely to say it would be easy to switch. The following table shows the comparison.

Table 1. Anticipated ease of switching broadband provider

	Would consider switching broadband provider	Would <i>not</i> consider switching broadband provider
Very Easy	25%	36%
Somewhat Easy	33	30
Somewhat Difficult	27	19
Very Difficult	7	6
Could not do it/impossible	3	5

On its face, it may seem paradoxical that those who would consider switching providers are more likely to find switching difficult. However, it is possible that those who have considered switching have looked into it more closely than those who have not – and as a result have found it to be a more involved process than those with less information.

Overall, broadband users do not exhibit a high rate of churn (about 17% per year), nor do non-switchers indicate that they are likely switchers. About one-third (30%) say they have considered switching in the past three years. Among those with a choice of broadband service providers, 21% say they would seriously consider switching today.

Any number of factors could be behind respondents’ reasons for sticking with their provider. The survey probed this further by asking about financial factors that might inhibit switching and non-monetary costs associated with switching. The following table shows the responses to the question among broadband users with the choice of more than one provider:

Table 2. Factors in the decision to stay with current provider among broadband users with a choice of provider

	<u>Major</u>	<u>Minor</u>	<u>Not</u>	<u>DK</u>	<u>Ref.</u>
Paying set-up or installation fees to get new service	50	25	24	1	*
Dealing with the hassle of getting a new service installed	43	28	28	1	*
Putting down a deposit to get a new service	40	29	29	2	*
Having to change your current bundle of Internet, TV and phone services	39	22	35	3	*
Having to give up your current email address from your Internet provider	34	19	46	1	*
Paying termination fees to your current Internet company	32	26	38	3	*

The typical broadband user who has a choice of more than one provider cites two of the reasons listed above as major factors in sticking with their current provider; 28% cite four or more reasons.

There are some differences in responses depending on whether broadband users say they have seriously considered switching providers or not.

Table 3. Factors in the decision to stay with current provider among broadband users with a choice of provider, by consumer type (% citing issue as “major” reason)

	Would consider switching broadband provider	Would <i>not</i> consider switching broadband provider
	% citing issue as “major” reason	
Paying set-up or installation fees to get new service	53	48
Dealing with the hassle of getting a new service installed	47	41
Putting down a deposit to get a new service	43	39
Having to change your current bundle of Internet, TV and phone services	44	38
Having to give up your current email address from your Internet provider	33	34
Paying termination fees to your current Internet company	40	30

As Table 3 shows, people who have considered switching, but have not switched, are generally more likely to perceive barriers to switching. For them, financial reasons loom large, as they are more likely than other respondents to worry about paying a termination fee and set-up or installation costs. Non-monetary factors also come into play, the hassles of dealing with installation and changing bundles are greater issues for them.

People who have switched service

As noted, 36% of broadband users have switched service in the past three years, with 43% of these switchers having done so in conjunction with a change in residence. When asked to think about the reasons for their last ISP switch, here is what all respondents said:

Table 4. Reasons why people switched ISPs (among those who have switched in the past three years)

	<u>Major</u>	<u>Minor</u>	<u>Not</u>	<u>DK</u>	<u>Ref.</u>
Getting a faster or higher performance Internet connection	49	20	29	3	0
Getting a better price for Internet service	47	16	34	3	0
Getting a bundle of Internet, TV and phone services from a single company	39	15	44	2	*
Any other MAJOR reason that I have not mentioned	15	0	14	65	6
Poor customer service from your old Internet provider	28	12	57	3	0
Getting more features such as added email accounts or online storage	9	18	71	2	*

Price and speed are the most prominent reasons switchers cite for changing their service, with nearly half saying this. In fact, two-thirds (67%) of switchers cite either price or speed as a major reason behind their decision to change ISPs. Many (39%) say getting a bundle is a motivation for changing ISPs. Few switchers – just 9% – say that getting added features from their ISP prompted the change. Poor customer service is a major reason for 28% of switchers, with another 12% saying it was a minor one.

Reasons given differ significantly depending on whether the respondent’s service switch was accompanied by a change in residence or not.

Table 5. Reasons why people switched ISPs, among those who have switched in the past three years (% citing issue as “major” reason)

	Change in ISP <u>did not</u> involve change in residence	Change in ISP <u>did</u> involve change in residence
Getting a faster or higher performance Internet connection	55%	40%
Getting a better price for Internet service	54	39
Getting a bundle of Internet, TV and phone services from a single company	44	31
Any other MAJOR reason that I have not mentioned	15	17
Poor customer service from your old Internet provider	31	24
Getting more features such as added email accounts or online storage	9	8

Performance and price are also leading reasons for switching for cell phone users. Among cell phone users who have changed providers in the past three years:

- 49% said they wanted to get a better signal in places they use their cell phone;
- 47% wanted to pay less per month for service;
- 39% wanted to get a new cell phone;
- 32% said they received poor customer service from their old provider; and
- 10% switched so they could add Internet access to their cell phone.

It is worth noting that the reasons for switching match up reasonably well with the reasons all broadband users (*i.e.*, not just those who have switched) cite for their choice of provider. When home broadband users were asked about the reasons they chose their current ISP:

- 50% said the monthly quoted price was the *major* reason for the choice.
- 43% said the advertised connection speed was the *major* reason behind the choice.
- 42% said the bundle of Internet, TV, and phone service was the *major* reason for the choice.

For the most part, switchers found doing so easy, with 56% saying it was “very easy” and 30% saying it was “somewhat easy,” with 10% finding it “somewhat difficult” and 3% “very difficult”. These figures are very much in line with figures for those who have switched cell phone providers in the past three years; among that group, 56% said switching was “very easy” and 28% said it was “somewhat easy.”

When asked about the process of changing service providers, those who have switched in the past three years said the following:

- 49% said they had to pay a set-up, installation, or equipment fee to their new company;
- 37% said that they or someone else had to spend considerable time waiting at home for the installation;
- 29% said they had to wait more than a week before new service was installed;
- 9% said they had to put down a deposit to qualify for service from the new company; and
- 9% said they had to pay a termination fee to the old company.

Among broadband users who had to pay a termination fee, only two-thirds could identify the fee’s amount. The picture is a bit different for set-up or installation fees. Many (43%) either were not subject to a fee or, if they were, did not know its level; 25% fell into that category. For those who switched ISPs in the past three years:

- 12% said their set-up fee was between \$1 and \$49;
- 11% said it was between \$50 and \$99;
- 6% said it was between \$100 and \$149;

- 1% said it was between \$150 and \$199; and
- 2% said it was in excess of \$200.