Consumers and choice in the Broadband and wireless markets

John B. Horrigan, PhD
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Summary of Findings

In the context of limited choice for very high-speed home broadband service, just one-quarter of Americans have considered switching broadband or wireless providers.

A minority of online Americans have considered switching either home broadband or wireless provider, with roughly 25% saying this for each service. When asked to assess the ease of switching, majorities say it would be very or somewhat easy. For broadband customers:

- 25% of broadband users have very (8%) or somewhat (17%) considered switching service.
- 61% of broadband users say it would be easy to switch broadband providers, with 20% saying it would be very easy and 41% saying it would be somewhat easy.

These findings belong in the context recent data from the Federal Communications Commission that find that many Americans do not have much choice of broadband providers for service over 25 Mbps for download speed. Few alternatives for better quality service may be the reason why few consumers consider switching.

Nearly half of all broadband subscribers say they would find it difficult to find comparable service in their neighborhood. However, a majority of rural and low-income broadband subscribers say it would be hard for them to find comparable service where they live.

- 47% of broadband subscribers say they would find it difficult to find broadband service of comparable quality in their neighborhood; 18% say it would be very difficult and 29% say it would be somewhat difficult.
- 59% of broadband subscribers in rural areas say they would find it hard to find comparable Internet service where they live; 27% say comparable service would be very hard to find and 32% say it would be some difficult to find similar service.
- 53% of low-income households (where annual incomes are $25,000 or less) say it would be hard to find comparable service where they live.

For wireless service, one quarter of have considered switching carriers and most say it would be easy for them to go through the process of switching carriers.

- 24% say of cell users say it would be very (8%) or somewhat (16%) difficult to switch service.
- 70% say it would be easy to change, with 28% saying it would be very easy to switch service and 42% saying it would be somewhat easy.

Just one-third of cell phone users said it would be difficult to find comparable service in their neighborhood, a much lower rate compared to what broadband customers say when asked a similar question.

- 35% of cell phone users said it would be difficult to find service of similar quality if they were to switch service. Some 11% said it would be very difficult and 24% somewhat difficult.
- This is much lower than the nearly half (47%) who said this about broadband service.

Overall, in considering how navigable broadband and wireless users find the marketplace, wireless services are viewed somewhat more favorably than home broadband service. Broadband users are a bit more likely than wireless users to say it would be hard to find comparable service if they tried to change providers, and broadband users are somewhat less likely to see the process as an easy one – relative to wireless customers.

Introduction

The topic of choice for broadband service for American consumers elicits vigorous debate in policy circles. Is there sufficient choice such that consumer behavior exerts discipline on service providers? How do we define “sufficient choice”? Do consumers have adequate choice of broadband providers that provide fast network speeds that many applications use?

As FCC Chairman Tom Wheeler recently observed in a speech on broadband competition, the degree of choice for broadband varies by speed. For home broadband service that provides 10 Mbps download speeds, most Americans (61.3%) have a choice of two or more providers. Things change for higher tiers. For 25 Mbps download speeds, about one-quarter of consumers have two or more providers where they live, with 75% having no more than one. At 50 Mbps+ download speeds, 82% have no more than one such provider where they live.[1]

This context is important for a report that examines consumers’ perspective on choice in the market for broadband and cell phone service. As the report will show, not many consumers consider switching their home broadband service and this may be due to their inability to find service of adequate speed where they live. People may not be interested in switching unless they can upgrade to faster speeds – and that is not possible for many consumers.

I. Switching & choice in the marketplace: Broadband

When it comes to contemplating changing service, one quarter of broadband users (25%) have at least somewhat seriously considered switching providers of their home broadband service – 8% very seriously and 17% somewhat seriously. Asked to consider how hard it would be to change service, 61% say this prospect doesn’t seem daunting to them, with 20% saying it would be very easy and 41% saying it would be somewhat easy.

At the same time, almost half (47%) of broadband users say it would be difficult to find a broadband Internet service provider in their neighborhood that offers the same quality as current service; 18% said it would be very difficult to find comparable service quality and 29% said it would be somewhat difficult. Those who say it would be difficult to find comparable service are modestly more likely to say they have at least somewhat seriously considered changing service provider; 29% say this, with 10% having seriously considered it and 19% considering it somewhat seriously. This suggests that a few consumers might switch broadband providers if they had quality options in their neighborhood.

Low-income respondents differ from the norm. These households are not as likely to think switching broadband would be easy – 51% say it would be easy compared to 63% for all others (and the 61% overall figure). They are also more likely to say that they would have a hard time finding comparable broadband service in their neighborhood; 53% say this compared to the 47% figure overall and 45% for respondents with incomes above the $25,000 per year threshold.

[1] See remarks of Thomas Wheeler, Chairman of the Federal Communications Commission, “The Facts and Future of Broadband Competition.” September 4, 2014. Available online at: http://www.fcc.gov/document/chairman-remarks-facts-and-future-broadband-competition

Table 1

Attitudes about broadband and wireless services (broadband users)	
How seriously, if at all, have you considered switching service?	
Very seriously	8%
Somewhat seriously	17
How easy would it be to switch service?	
Very easy	20%
Somewhat easy	41
How difficult would it be to find service of the same quality as your current one?	
Very difficult	18%
Somewhat difficult	29

The ease of finding comparable service for broadband may vary across different segments. Do broadband subscribers who have cable or fiber-to-the-home service respond differently? Do rural consumers say they would find it harder to find comparable broadband service? The following table shows responses for several categories of interest.

Table 2

How difficult would it be to find service of the same quality as your current one?			
	Very difficult	Somewhat difficult	Total
All respondents	18%	29%	47%
Cable subscribers	19%	27%	46%
Fiber subscribers	18%	29%	47%
Metro area residents	16%	29%	45%
Rural (non-metro) residents	27%	32%	59%

As the table shows, there is no significant variation when comparing cable and fiber subscribers to the norm. However – and not surprisingly – rural broadband subscribers are far more likely than average to say it would be hard to find comparable service. The difference is most acute when focusing on those who said it would be very difficult to find comparable service if they wanted to switch.

There also may be variation in responses to the question on whether consumers have given thought to switching service. As with perceptions of comparable available service, there are no significant differences in response by subscription type. However, rural respondents again diverge from the norm. Perhaps because they do not see sufficient choice where they live, they are less likely to have contemplated switching service.

Table 3

How seriously, if at all, have you considered switching service?			
	Very seriously	Somewhat seriously	Total
All respondents	8%	17%	25%
Cable subscribers	7%	17%	24%
Fiber subscribers	9%	18%	27%
Metro area residents	8%	18%	26%
Rural (non-metro) residents	8%	13%	21%

II. Switching & Choice in the Market Place: Cell phones

For cell phones, users are about as likely as broadband users to say they have considered switching service, but are more likely to say it would be easy to switch if they wanted to. Additionally, more are likely to say it would not be hard to find service of comparable quality where they live. Some 24% said they had considered switching cell phone providers, with 8% having very seriously considered it and 16% somewhat seriously considering it. And 70% find it would be easy to switch cell phone providers, with 28% saying it would be very easy and 42% saying it would be somewhat easy. As to finding comparable cell service in their neighborhood, 35% said it would be hard to find service of similar quality, with 11% saying it would very difficult and 24% saying it would be somewhat difficult.

Table 4

Attitudes about broadband and wireless services (cell phone users)	
How seriously, if at all, have you considered switching service?	
Very seriously	8%
Somewhat seriously	16
How easy would it be to switch service?	
Very easy	28%
Somewhat easy	42
How difficult would it be to find service of the same quality as your current one?	
Very difficult	11%
Somewhat difficult	24

A notable difference emerges for low-income respondents when it comes finding comparable cell phone service in their neighborhood. Home with annual incomes under $25,000 are no more likely than others to say they have considered switching cell service, but 39% say it would be hard for them to find comparable service if they were to switch. This contrasts with 33% of all other households who say this (against the 35% figure for all respondents).

For smartphone users (note that the results above are for the 92% of the sample who have cell phone service), the story is not very different. For smartphone users (65% of all those with cell phones), 9% had very seriously considered changing providers and 18% said they had considered this somewhat seriously. The same share as all respondents said they would find it easy to switch providers. Smartphone users responded much the same as others when asked about the difficulty in finding a cell phone provider with similar service quality. Some 37% said they would find it very (11%) or somewhat (26%) difficult to find a carrier of comparable quality in their neighborhood.

As was the case for broadband, rural consumers respond differently in thinking about cell phone service – specifically on the ease of finding comparable service where they live. Specifically:

- 38% of rural respondents said it would be very (12%) or somewhat (26%) difficult to find service of the same quality where they live.
- 33% of respondents living in metro areas said it would be very (10%) or somewhat (23%) difficult to find service of the same quality where they live.

Appendix: Topline results from the survey

Question numbers are not sequential because not all questions used in the survey were used for analysis in this report

We'd like to ask some questions about the communications services and products you use.

Q1. Do you have a cell phone?

Yes	92%
No	7%

[If Q1=1]

Q2 Some cell phones are called "smartphones" because of certain features they have. Is your cell phone a smartphone such as an iPhone, Android, Blackberry or Windows phone, or are you not sure?

Yes, smartphone	65%
No, not a smartphone	33%
Not sure/Don't know	2%

Q4 How seriously, if at all, have you considered switching to a different cell phone service provider?

Very seriously	8%
Somewhat seriously	16%
Not too seriously	34%
Not at all seriously	42%

[IF Q1=1]

Q5 How easy do you think it would be to switch to a different cell phone service provider?

Very easy	28%
Somewhat easy	42%
Not too easy	21%
Not at all easy	9%

[IF Q1=1]

Q6 How difficult would it be to find a cell phone service provider in your neighborhood that offers the same quality as your current service?

Very difficult	11%
Somewhat difficult	24%
Not too difficult	46%
Not at all difficult	19%

Now we'd like to ask you some questions about your home Internet service.

Q7 Is your internet connection AT HOME through a slow-speed link such as dial-up... OR do you have a high-speed, broadband link?

Slow-speed connection	10%
High-speed broadband connection	85%
Don't have internet at home	5%

[IF Q7=2]
[SP]
Q9 How seriously, if at all, have you considered switching broadband providers?

Very seriously	8%
Somewhat seriously	17%
Not too seriously	35%
Not at all seriously	39%

[if Q7=2]

Q10 How easy do you think it would be to switch to a new broadband Internet service provider?

Very easy	20%
Somewhat easy	41%
Not too easy	25%
Not at all easy	13%

[IF Q7=2]

Q11 How difficult would it be to find a broadband Internet service provider in your neighborhood that offers the same quality as your current service?

Very difficult	18%
Somewhat difficult	29%
Not too difficult	37%
Not at all difficult	16%