Canadian Radio-television and Telecommunications Commission
Conseil de la radiodiffusion et des télécommunications canadiennes

Public Opinion Research on Why Customers Change Communication Service Providers and Barriers to Switching Service Providers

Executive Summary

Prepared for the Canadian Radio-television and Telecommunications Commission

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Canada

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Registration Number: POR 148-22

September 2023

The CRTC commissioned Sage Research Corporation to conduct qualitative public opinion research with users of wireless and home Internet services. Based on the CRTC's 2021 Communications Market Report (2021 CMR), it was clear that churn rates have been continually decreasing in both the wireless and Internet industries, which means Canadians are switching service providers less often than in the previous years. The decrease in churn rates could be an indication that the three Codes of Conduct the CRTC has put in place [Wireless Code (2013, reviewed in 2017), Television Service Provider Code (2016), and Internet Code (2019)] may not be completely achieving their desired results to minimize barriers to customers switching service providers, or there may be other factors or issues limiting customer churn. The purpose of the research was to obtain a deeper understanding of the reasons why some wireless and Internet customers choose not to switch providers.

The research consisted of: six online video focus groups with home Internet users who chose not to switch their service provider; six online video focus groups with wireless users who chose not to switch their service provider; three online video sessions with people who are deaf and use sign language; and four online audio sessions with people who are blind. The research was conducted between May 25 and July 17, 2023.

Cette publication est aussi disponible en français sous le titre : Recherche sur l'opinion publique concernant les raisons pour lesquelles les consommateurs changent de fournisseurs de services de communication et les obstacles rencontrés lors de changement de fournisseur de services

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Executive Summary

BACKGROUND AND OBJECTIVES

The Canadian Radio-television and Telecommunications Commission (CRTC) is an administrative tribunal that operates at arm's length from the federal government and is dedicated to ensuring that Canadians have access to a world-class communication system that promotes innovation and enriches their lives. The CRTC regulates and supervises broadcasting and telecommunications in the public interest.

To that end, the CRTC has put into place measures, including Consumer Protection Codes, two of which are the Wireless Code and the Internet Code, with an objective to minimize barriers to customers switching service providers.

However, based on the latest churn data published in the CRTC's 2021 Communications Market Report,[1] it was clear that churn rates have been continually decreasing in both the wireless and Internet industries, which means Canadians are switching service providers less often than in previous years. The decrease in churn rates could be an indication that the Codes may not be completely achieving their desired results, or there may be other factors or issues affecting customers' decision to switch providers.

The purpose of the research was to obtain a deeper understanding of the reasons why some wireless and Internet customers choose not to switch providers.

The results of the research will inform the development of future regulatory frameworks to ensure customers can make informed decisions when choosing service providers that best meet their needs, and to limit barriers faced by customers in making those decisions.

Specific research objectives included exploration of the following:

- Determine the different reasons why some customers choose not to switch providers.
- Determine the information needs of customers for selecting a service provider.
- Determine what barriers consumers face when selecting a service provider.

RESEARCH METHODOLOGY

To achieve these objectives, a qualitative approach was undertaken. Specifically, the research consisted of the following components:

- Type 1 participants – Chose not to switch: Six online video focus groups were conducted with home Internet users – one West (B.C., Alberta), one Manitoba/Ontario/East (Atlantic provinces), two Saskatchewan, two Quebec, and six with wireless users – two Manitoba/Ontario/East (Atlantic provinces), two Saskatchewan, two Quebec. In each group type, the target group was people who had chosen not to switch their service provider in

[1] The CRTC Communications Marketing Report provides up-to-date data and trends in the Canadian broadcasting and telecommunications sectors. It is found at: https://crtc.gc.ca/eng/publications/reports/PolicyMonitoring/.

the past year. To meet this criterion, a person had to meet at least one of the following three conditions: (1) less than satisfied with the service, (2) considered switching to a different service provider in the past year but did not switch, or (3) made a complaint about their service. As it turned out, almost all participants met condition #2 (considered switching), and most met at least one of the other two conditions as well.

- Type 2 participants – individuals who are deaf and who use sign language: Three online video sessions were conducted with six participants who are deaf and use sign language (four American Sign Language [ASL] users, two Quebec Signe Language [LSQ] users). Qualified participants subscribed to both Internet and wireless services, and both types of services were discussed in each session. Participants in this target group were not required to have either switched or chosen to switch their service providers in the past year.
- Type 3 participants – individuals who are blind: Four online audio sessions were conducted with five participants who are blind (three English-speaking, two French-speaking). Qualified participants subscribed to both Internet and wireless services, and both types of services were discussed in each session. Participants in this target group were not required to have either switched or chosen to switch their service providers in the past year.

The fieldwork was conducted between May 25 and July 17, 2023.

This research was qualitative in nature, not quantitative. As such, the results provide an indication of participants' views about the topics explored, but cannot be statistically generalized to represent the full population of users of home Internet services or cell phone services. Moreover, it may be that not all types of users of either of these services are represented in the research. Qualitative research does, however, produce a richness and depth of response not readily available through other methods of research. It is the insight and direction provided by qualitative research that makes it an appropriate tool for exploring participants' experiences and opinions with respect to home Internet service providers and cell phone service providers in preparation for a possible subsequent public proceeding.

SUMMARY OF KEY FINDINGS

Reasons for not being completely satisfied

All of the Type 1 participants (chose not to switch) were less than completely satisfied with their service in the past year (cell phone service in the case of the Wireless groups, Internet service in the case of the Internet groups), yet did not switch to a different provider in the past year. The reasons for not being completely satisfied are essentially reasons for being interested in switching. As such, these point to what the participants would be hoping to get by switching, and some of the types of information that would be important in deciding whether to switch and to which company(ies) they might switch.

Internet service: The reasons for not being completely satisfied fell into four main categories. In descending order of frequency of mention, these were: Internet service performance, cost, billing and customer service. Internet service performance issues were widely cited (about four of five participants). Issues included connection speed slowdowns or outages, connection speed is lower than advertised, connection speed is too slow for how the Internet is used in the household, connectivity is better in some parts of the house than others.

With regard to accessibility, participants who are deaf emphasized the importance of high speed Internet because of the vital role of video for sign-language communication. Poor quality video – with freezing or lags – seriously disrupts communication.

Cell phone service: The reasons for not being completely satisfied fell into four main categories. The most common issue was the cost of cell phone service (about half of participants). The following were each mentioned by about one-third of participants: cell phone connectivity, billing, and customer service. With regard to cost, about half of the participants said they were less than completely satisfied with the cost of their cell phone service. It also tended to play out differently because participants were more likely to make comparisons to the cost of cell phone service in other countries, and perceived the cost to be much higher in Canada than in other countries. As a result, this led to a perception by some that cell phone service costs are too high overall – that is, it isn't only about "value for money", it's that the cost is too high in Canada.

With regard to accessibility, as with the Internet service, participants who are deaf said they use their cell phone for video communication using sign language. For this reason, they need both high speed and ideally unlimited data.

Barriers and difficulties related to getting information

Part of switching to a different service provider is gathering information on alternative providers. Barriers or difficulties in getting information add friction to the search process, and increase the difficulty and time required for this process. The perceived level of difficulty and time can discourage some people from switching:

- Some participants said they did not switch because it was "too much work" – and this was often because of the perceived time/difficulty of researching alternatives.
- Some participants did not explore alternatives, but instead settled for negotiating a better deal with their current service provider, because they felt this was easier than researching what alternative providers might offer.

Context – Where participants looked for information (Internet & cell phone): The information source used most often (except by participants who are blind) was provider websites. Some participants called providers for information. The latter tended to occur after first doing a web search for information, after which the person called to get more information or to learn about special deals that are not publicized on the provider's website. Information barriers common to both websites and calling providers included:

- Difficulty comparing packages and offers across providers
- Difficulty getting complete pricing information
- Particularly for Internet packages, difficulty understanding which package best fits one's needs

Another widely used source of information was word-of-mouth, that is, talking with people about their experiences with other providers, including some who looked on social media for comments on providers. Word-of-mouth was a particularly trusted source of information. Also, for participants who are deaf or blind, talking with other people in their respective communities was particularly important. This can be an easier way to find out about packages and discounts tailored to their needs compared to using other information sources.

Comparing provider offerings (Internet & cell phone): In both the Internet and cell phone focus groups, a bit under half the participants said one of the difficulties in researching service providers when considering switching is comparing what the different providers offer. Basically, difficulty in comparing the offerings of different providers adds time, complexity, and uncertainty to the process of exploring switching to a different provider.

There were two types of complaints:

- *Comparing Internet/cell phone offerings across providers:* The issue is that across providers, the packages have different parameters and features, such that it is difficult to find directly comparable packages.
- *Bundle-related complications to comparing offerings:* When the Internet or cell phone service is part of a bundle with other services, this adds even greater difficulty to comparing offerings across providers because of differences across providers in the features of the other components of the bundle.

There were three types of suggestions from participants to make it easier to compare offerings from different providers:

- *Third-party comparison website:* This was the most frequently mentioned suggestion of the three. The idea was to have a website where one can put the offerings of different companies side-by-side, rather than having to go to different websites and trying to keep track of/remember the different offerings. There was almost no awareness of any existing third-party websites comparing Internet or cell phone service providers. Several participants suggested that the CRTC should provide information on what different providers offer.
- *Standardized packages:* Some participants suggested that there be some standardized packages offered by all providers that could be used to compare prices more easily. These would not necessarily be the only packages offered by a provider, but they would at least provide a starting point for comparing providers. A few participants suggested the CRTC mandate some standardized packages.
- *"Build-your-own":* Several participants suggested that provider websites should allow a user to build their package, and moreover use the same options. In this way, a person could "build" the same package on different provider websites, and compare the prices.

Knowing the full monthly cost (Internet & cell phone): Some participants commented that it can be difficult to find out the actual monthly cost of an Internet or cell phone service package – and this can be true both for information on provider websites and for information received when talking with a provider representative. Basically, the featured price ends up being less – and can be substantially less – than the monthly invoice amount. The perception is that the featured price does not include costs that may be in the "fine print", and in the case of Internet service it may not include equipment costs (e.g. modem rental). The negative consequences of not knowing the actual full monthly cost were:

- Having to pay an unexpectedly high monthly amount.
- With respect to potentially switching to a different provider, not being able to make accurate comparisons of monthly cost across different providers.

Some participants suggested there should be clear and prominent disclosure of the total monthly billing amount. And, in this regard, some suggested the CRTC should mandate this.

Some participants also wanted clear disclosure upfront of what the monthly cost will be after any time-limited discounts expire. For them, this would be information that they would take into account when researching alternative providers as part of considering switching. They are essentially taking a long-term view of the cost of going with a particular provider, and therefore will not necessarily go with the provider with the best short-term deal. Several participants suggested the CRTC should mandate disclosure of the monthly cost after the expiry of any discounts.

Difficulty understanding how packages relate to needs (Internet): Some participants said they had difficulty knowing what Internet package to get because they did not know how to relate the descriptions of the plans to what they would need given how their household uses the Internet. This leads to doubt and uncertainty when considering switching to a different provider as to which Internet plan would be best. Doubt and uncertainty can delay making a decision to switch, or even lead to a decision not to switch.

Some suggested it would be helpful for providers to relate their different plans to how households use the Internet, such as how the Internet is used, and how many people/devices are using the Internet at any given time. Some participants suggested the CRTC should produce a guide or a self-assessment tool to help people figure out what level of Internet service they need. This would provide objective information from a single trusted source, rather than relying on what different providers say.

Terminology that can be misleading (cell phone): In the cell phone groups, two types of terminology were flagged as being potentially misleading:

- *"Unlimited data":* Some participants said they did not initially understand that "unlimited data" plans typically come with a speed cap – that is, after a specified amount of data has been used, subsequent data is downloaded at a slower speed. It was suggested that the meaning of "unlimited data" needs to be more clearly communicated, including the specific speed cap, in order to help people better understand and compare cell phone plans.
- *"Free" or "$0" phone:* A few participants said it is misleading to describe a phone one is getting as part of a cell phone package as "free" or costing "$0", because in fact one is paying for the phone. It can therefore come as a surprise when considering switching to a different provider that money would be owed on the phone.

Deals not always displayed on provider websites – Have to call (Internet & cell phone): Quite a few participants were aware that as a potential new customer one can call a provider (or go to a store) and that one might be offered a special deal or that one can try to negotiate a deal. In this context, some suggested that these deals should be posted on the provider's website. This would reduce the work involved in researching companies for switching purposes.

Accessibility-related information barriers and difficulties (Internet & cell phone): The following are accessibility-related issues with information access that can be an issue when someone is considering switching.

- ***Getting information from provider websites***
  - *People who are blind:* Participants said the structural complexity and volume of information on provider websites can be difficult and time-consuming to navigate using a screen reader. It was suggested the CRTC should play a role in ensuring compliance with accessibility standards and in ensuring there is usability testing.
  - *People who are deaf:* Participants noted that some people who are deaf are not fully fluent in either English or French because it is not their first language. For this reason, some suggested that provider websites should offer access to information via sign language videos, including suggesting that the CRTC has a role to play to hold providers to do this.
- ***Communication with customer service among people who are deaf:*** Participants who are deaf described difficulties getting information about provider offerings from customer service representatives, including in-person, on the telephone, and via online chat on websites.
  - *In-person:* When dealing with a salesperson at a store, a person who is deaf often needs to resort to communicating with the salesperson in writing. Several participants said that sometimes the salesperson is impatient, leading to poor quality communication. Another difficulty is that some people who are deaf are not completely fluent in English or French because it is not their first language. As a result, a person who is deaf may have difficulty understanding some of what a salesperson is saying, or making themselves understood to the salesperson. Suggestions included that stores use video remote interpretation (VRI), and that they train salespeople on how to communicate effectively and respectfully with people who are deaf.
  - *Telephone/VRS:* Participants who are deaf said it is a common experience when calling a company using video relay service (VRS) that sometimes the call is refused. When the moderator asked if this was true specifically of telecommunications companies, they said yes. Several suggested the CRTC should do more to make the public aware of VRS, and a few suggested the CRTC should mandate that companies accept VRS calls.
  - *Online chat:* Using online chat can be problematic because of the English/French fluency issue noted above. A few participants who are deaf suggested that companies include the option of online chat using sign language.
- **Access to packages for people who are deaf or blind:** A few participants who are either deaf or blind said that finding information about packages/discounts specifically for people with their disability can be difficult: the information can be hard to find on a provider's website, and store staff may not offer – or be aware of – such packages/discounts. Several participants said they were aware of only one provider offering an accessibility-related discount.

- **Availability of braille invoices:** A few participants said there can be problems getting invoices in braille. A few suggested it should be a requirement for all providers to offer the option of receiving braille invoices, because not providing braille invoices could be a reason not to choose a provider.

Reasons for not switching

The barriers and difficulties in getting information discussed in the preceding section add friction to the search process for someone exploring switching providers, and increase the difficulty and time required for this process. The perceived level of difficulty and time can discourage some people from switching. This section summarizes other reasons for not switching.

Cannot get a lower monthly cost (Internet & cell phone): Dissatisfaction with the monthly cost of service was one of the reasons participants were less than completely satisfied with their cell phone or Internet service. However, quite a few of these participants said the reason they did not switch was because they could not find a meaningfully lower cost plan. There were several dimensions to this reason for not switching:

- Some simply said that the alternatives all cost about the same.
- Some said while they could find a lower price, the magnitude of the savings was too small to make it worth the effort and risks to switch.
- Some said that instead of going through all the work and uncertainty of exploring alternative providers, they called their current provider and got a better deal.
- With regard to smaller service providers, some said these may offer lower prices, but they were concerned that this came with getting less of something, whether it be, for example, Internet service reliability or speed, cell phone connection coverage/reliability, or customer service.
- In the context of not being able to find a meaningfully lower price, some participants complained that there is not enough competition in their area, and that is why there are no meaningful price differences.
- Some participants said that as a new customer they could get a lower price for a period of time, but after the deal expires they will pay more, such that overall it is not worth it to switch.
- In the case of cell phone service, several participants said that one can only get a deal on price if one also buys a cell phone as part of a contract – meaning that if one is not interested in buying a cell phone, it is hard to find a lower monthly price.

Cannot get better Internet speed/reliability: The most common reason participants were not completely satisfied with their Internet service was problems with the speed and/or reliability of Internet service. Among these participants, a significant barrier to switching was not being able to identify an alternative provider that would be any better than their current provider in terms of service reliability. Some further commented that it would not be worth switching to end up experiencing the same sorts of reliability issues even if there is a small savings on cost, and particularly given the amount of work that can be involved in setting up a new home Internet service.

For some participants, the barrier was that the other providers in their area only offered slower Internet speeds than they wanted. This typically was because they were with the only provider in their area with a fibre optic service, and the others could only offer slower connections.

With regard to smaller ISPs, most participants were reluctant to switch to a smaller ISP, primarily because of concerns over reliability of Internet service. The concern over reliability was expressed in two ways:

- Concern the Internet performance would be less reliable from smaller ISPs.
- Concern that customer technical support from smaller ISPs would be worse – which would result in a potentially less reliable service.

Bundle-related barriers to switching (Internet & cell phone): A majority of Internet participants said their Internet service was part of a bundle, and about a third of cell phone participants said their cell phone service was part of a bundle. There were several ways in which having Internet or cell phone service in bundle with other services could discourage switching:

- Some participants said they did not switch because that would break up the bundle, resulting in a higher overall cost when taking into account the other services.
- Some participants said that while they were not entirely satisfied with their Internet or cell phone service, they were satisfied with other components of the bundle and therefore decided not to switch.

Cost of breaking a cell phone purchase contract: Among the cell phone participants, about a third had not switched in the past year because they had purchased a cell phone on contract, and were waiting until the end of the contract period before switching in order not to have to pay the cancelation cost of the remaining amount owing on the phone. They felt that the cancelation cost would substantially exceed any savings they might get by switching to a different provider.

Cannot get better cell phone connectivity: Among cell phone participants, about a third were not completely satisfied because of connectivity issues such as dropped calls or poor signal strength in rural areas. In this regard, some participants did not switch because they did not believe there was any other provider with better connectivity. With regard to cell phone connectivity in rural areas, several participants commented that in their experience, the coverage maps available from providers are inaccurate, and therefore they do not feel they can trust these to identify a provider with better coverage.

Loss of ISP email address: Some participants (about a quarter of the Internet participants) did not want to switch because they used an email address linked to their ISP. Typically, they had been using this email address for quite a few years, and the email address was associated with a variety of services. They said switching to a different email would therefore be a lot of work, involving identifying all the services that use the ISP email address and then changing them to a different email address.

Switching is "too much work" (Internet & cell phone): Some participants said they have not switched, despite being less than completely satisfied, because of the amount of work involved. This was more of an issue among Internet participants because of the added step of getting and installing equipment, but it was also a reason cited by some cell phone participants. This led some to focus instead on contacting their current provider and negotiating a better deal. The “too much work” rationale should be viewed in the context of the other barriers to switching described previously: it’s possible if it was easier to switch on the various dimensions above, then the issue of “too much work” would likely be less of a factor.

Cell phone number portability: Almost all participants were aware of number portability, so for them this was not a barrier to switching. However, there was a small number who were not aware of this, and for whom it was a barrier to switching. This indicates there is still some work to do to make sure people are aware of number portability.

Participant suggestions for the CRTC

The most common types of suggestions related to the price of Internet or cell phone service:

- Some participants suggested the CRTC needs to do more to increase competition in the Internet and cell phone sectors. This includes several participants each who suggested (a) foreign-based providers should be allowed to enter the Canadian market; (b) large companies should be blocked from taking over smaller companies. The primary rationale for these suggestions was to lower prices.
- Some participants suggested the CRTC should somehow regulate prices for Internet and cell phone services, with the goal of lowering prices. In the case of cell phone service, this suggestion was particularly motivated by the perception that cell phone service costs in Canada are among the highest in the world.

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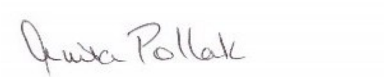

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