national consumer agency
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putting consumers first

National Consumer Agency
Market Research Findings:
Consumer Switching Behaviour

February 2010

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1 Introduction and Methodology

The National Consumer Agency commissioned Amárach Research to continue its programme of consumer research in 2009 with a view to monitoring, analysing and recording patterns of consumer behaviour and experiences in Ireland.

A key feature of the market research is the comparison of data collected in previous "waves" of market research, i.e. the benchmark survey (conducted in November /December 2007), Wave 1 Survey (August 2008), Wave 2 (November /December 2008) and Wave 3 (May/June 2009), with the current consumer landscape. This comparison provides a valuable time-series.

The present research, in common with previous surveys, was conducted by means of face-to-face interviewing with 1,000 people between the ages of 15-74. To ensure that the data is nationally representative, quotas were applied on the basis of age, gender, social class and region. Interviews were conducted over a five-week period in November /December 2009.

The Agency's programme of market research explores a wide range of consumer behaviour and experiences in Ireland, including:

- The level of consumer empowerment, awareness of consumer rights and the propensity to complain,
- Consumer behaviour with regard to shopping and pricing,
- Household budgeting and the impact of the recession,
- Trends in switching goods / service providers.

The results of the market research are released in three volumes. The first report published on the 6th of January 2010[1] detailed consumer's experiences with regard to shopping and the impact of the recession. The second volume[2] (published on the 27th January 2010) related to consumer empowerment and the consumer's experiences in the case of complaints. This final report details the results relating to Irish consumers' experiences and attitudes towards switching across a wide range of goods and service sectors (Section 2). Section 3 contains a summary of the key points in this report.

PowerPoint versions of the slides in this report are available on the Agency's consumer website, www.consumerconnect.ie.

[1] Full details are available at http://www.irishconsumer.ie/eng/News_+_Research/Press%20Releases/Market_research_on_consumers_and_the_recession.html

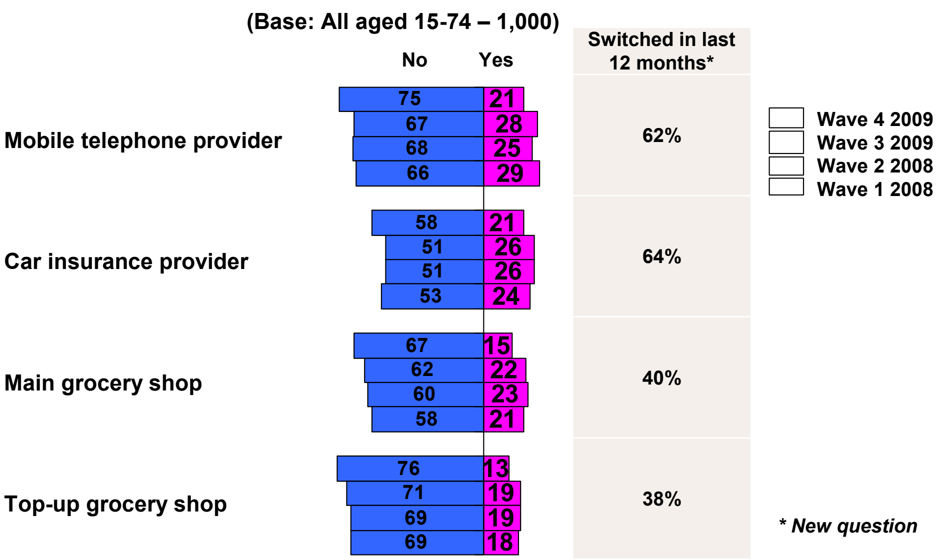
[2] Full details available at http://www.irishconsumer.ie/eng/News_+_Research/Press%20Releases/Market-research-consumer-complaints-Jan_2010.html

2 Consumer Switching Behaviour

Extent of Switching Provider

Figures 1 to 4 illustrate the extent to which consumers have ever switched providers. Results are presented for a wide range of sectors and are ranked into groups, depending on the current rate of switching. Results from previous waves of market research are also shown (this is the case throughout the report, where data are available). A new question has been added to assess the level of switching in the last 12 months. To explain, in figure 1, 21% of consumers say they have switched mobile phone provider. Out of the total 21%, 62% of consumers said that they have switched in the last 12 months.

Figure 1 Extent of Switching Providers - Primary



As with all previous waves, consumers continue to be most likely to have switched mobile phone provider (21%), car insurance provider (21%) or where they do their main grocery shop (15%). However, the number of those who have switched provider across these three categories has fallen back since the last wave.

Looking at the detailed data, not shown, 28% of 15-24 year olds have switched their mobile phone provider. Of the different age groups 35-44 and 45-54 year olds are most likely to have switched car insurance, with 29% and 30% having switched respectively. 45-54 year olds are most likely to have switched main grocery shop (26%) and their top-up grocery shop provider (24%).

Just over 1 in 10 (11%) have switched their fixed/landline telephone provider (Figure 2); however, this has fallen by 5 percentage points since the last wave. 45-54 year olds are the most likely group to have switched their fixed/landline telephone provider (21%) and their home insurance provider (23%), which is approximately double the overall rate of switching.

The number who have switched broadband provider has also fallen back by 5 percentage points since the previous wave and is currently at 9%. 35-44 year olds are more likely to have switched their broadband Internet access provider with 15% having switched.

Figure 2 Extent of Switching Providers - Secondary

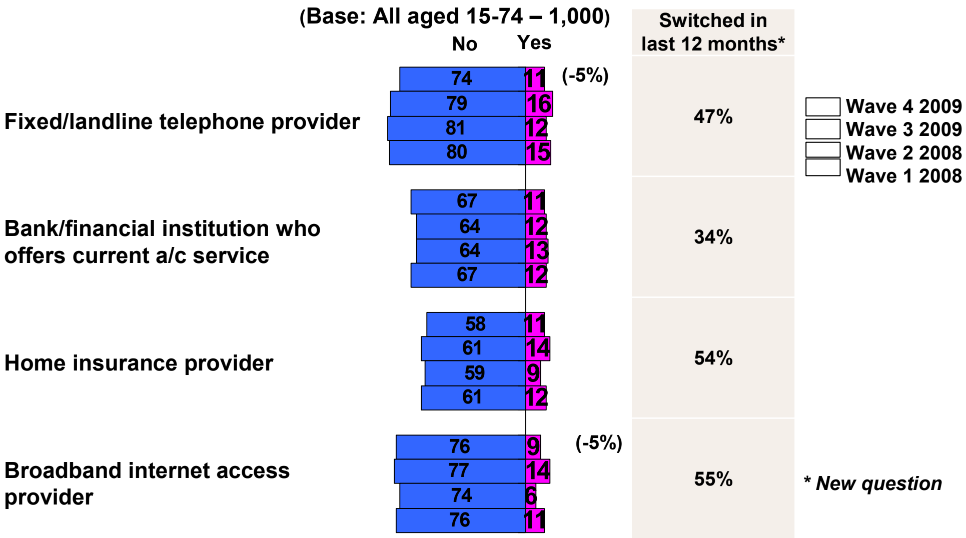


Figure 3 indicates that the number of consumers who have switched their electricity supply service provider continues to climb (8%), and of those who have switched, 78% have done so in the last year.

Figure 3 Extent of Switching Providers - Tertiary - I

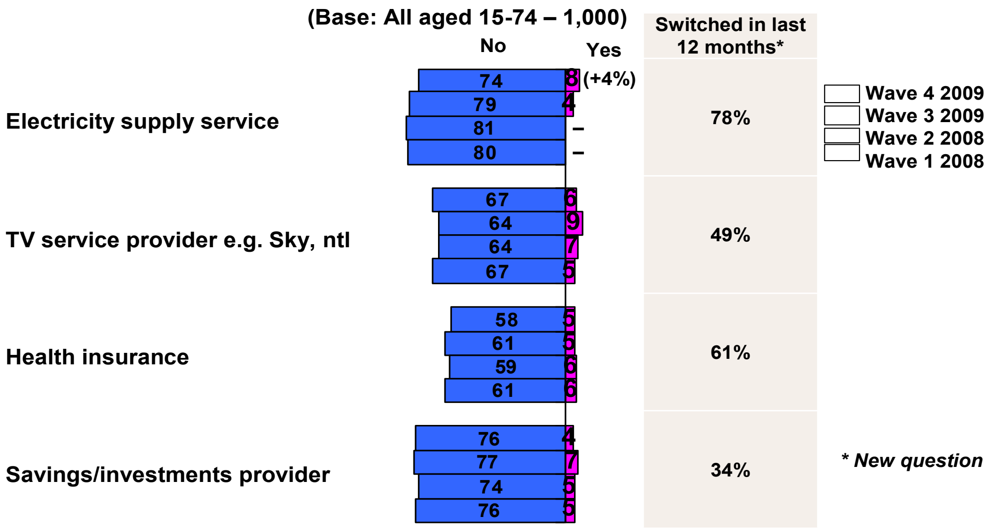
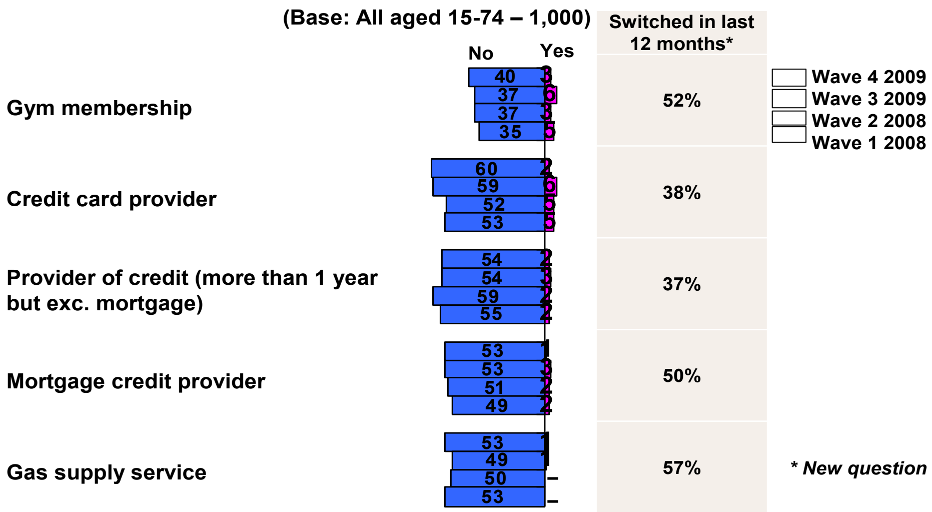


Figure 4 Extent of Switching Providers - Tertiary - II



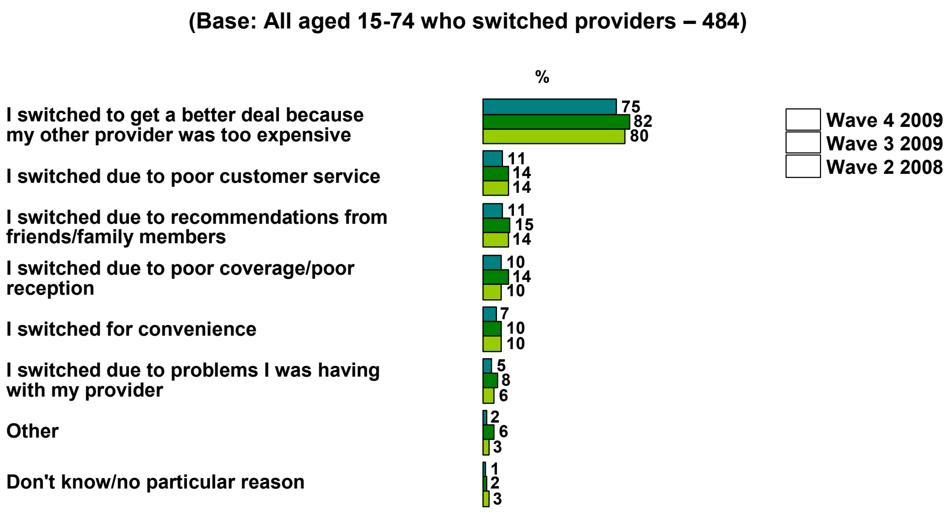
Overall the amount of switching has decreased with only the electricity supply service sector showing an increase in the numbers switching since the last wave.

Across all the sectors surveyed a total of 48% of consumers have switched at least one provider, which compares with 56% in wave 3 and 54% in wave 2.

Reasons for Switching Product or Service provider

Figure 5 presents data relating to the reasons why consumers switch their product or service provider.

Figure 5 Reasons for Switching



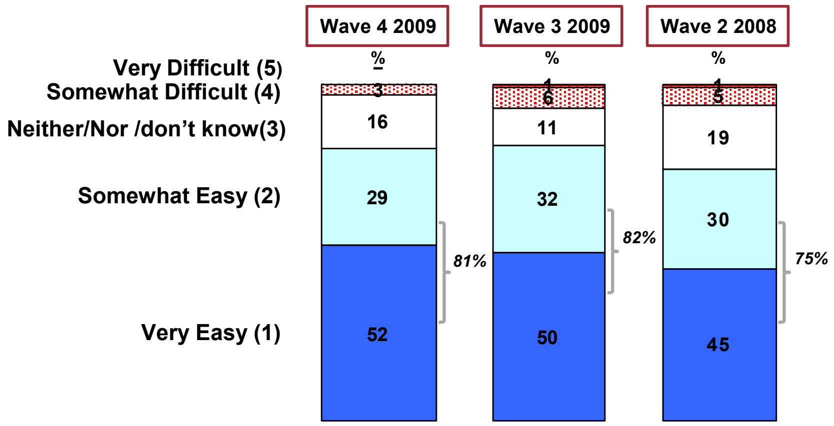
To get a better deal continues to be the most influential factor in switching behaviour with 3 in 4 consumers citing this as their number one reason for switching. Looking at the information by age category, 81% of 35-44 year olds switched to get a better deal and 19% of this age group switched due to recommendations from friends/family. 17% of the 25-34 year old category cite poor customer service as a reason for switching.

Degree of Ease/Difficulty of the Switching Process

Figure 6 assesses how easy or difficult the switching process was. Over 4 in 5 consumers who had switched providers considered it to be an easy process, consistent with the previous wave of market research. Only 3% found switching somewhat difficult down from 7% in the previous wave. 87% of the younger group, 15-24 year olds, found the switching process easy.

Figure 6 Experience of the Switching Process

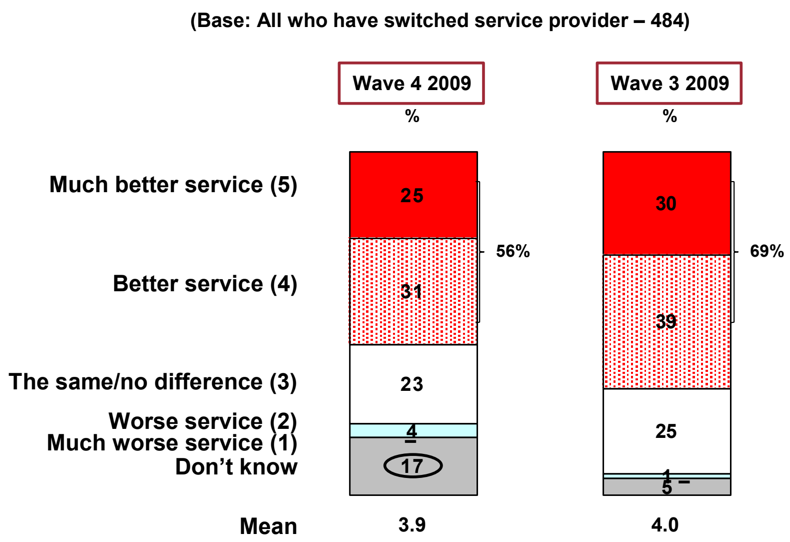
(Base: All who have switched providers - 484)



Service Rating of New Provider

Almost 4 in 5 consumers (79%) who have switched service provider believe that they are receiving a better or similar service with their new provider (Figure 7). This figure has fallen since the last wave and this may be explained by the substantial increase in the *"don't know"* category. This may be due to consumers who have moved service provider very recently and can't yet judge. 2 in 3 of 25-34 year olds who have switched service provider believe they are receiving a better service with their new provider.

Figure 7 Service with New Provider



Future Likelihood of Switching Providers

Figures 8, 9 and 10 relate to the likelihood of consumers switching in future. 16% of consumers intend switching car insurance provider in the next year and one in ten consumers intend to switch provider in the mobile phone and electricity supply sectors. 45-54 years old are most likely to switch their car insurance provider (21%), top-up grocery shop (14%) and home insurance provider (16%) in the next 12 months. 15-24 year olds are most likely to switch their mobile telephone provider (15%) and 35-44 year olds are most likely to switch their electricity supply provider in the next 12 months (17%).

Figure 8 Future Likelihood of Switching Providers - Primary

(Base: All aged 15-74 – 1,000)

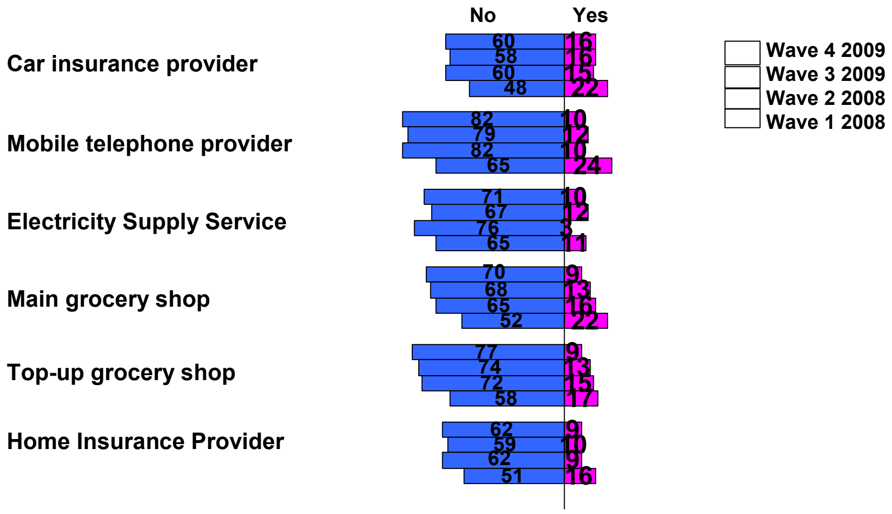
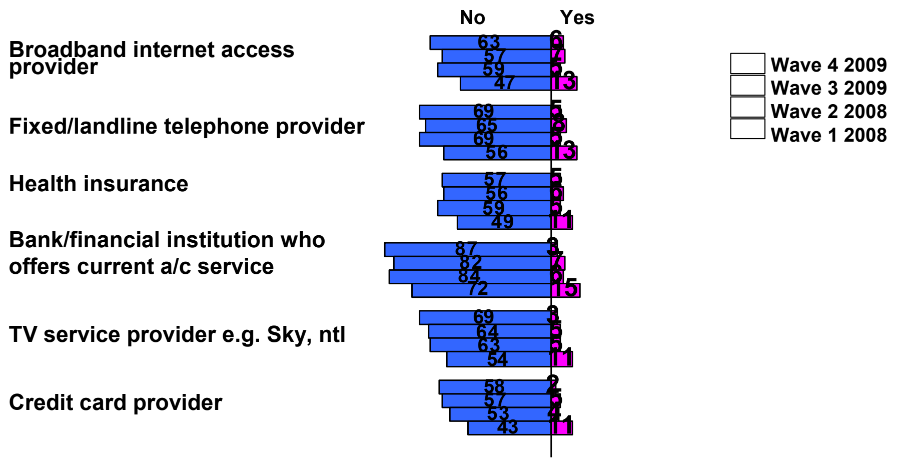


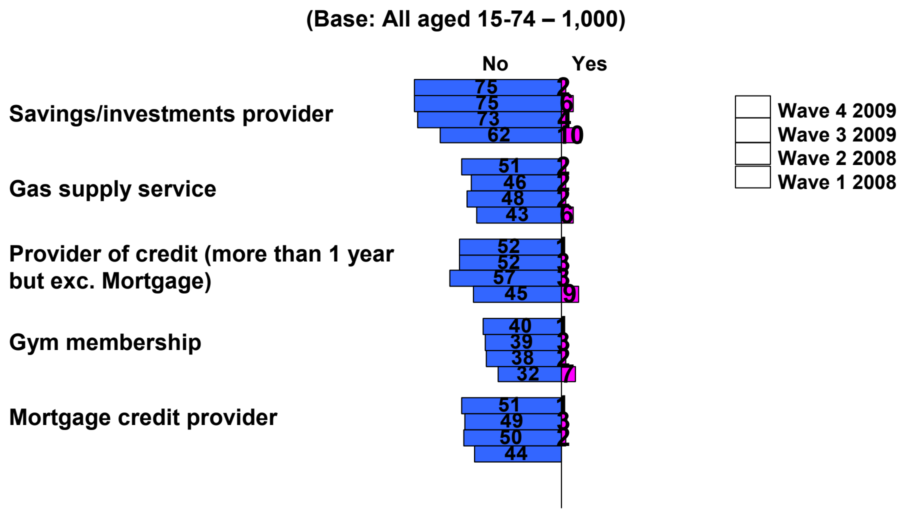
Figure 9 Future Likelihood of Switching Providers - Secondary

(Base: All aged 15-74 – 1,000)



6% of consumers intend switching broadband provider in the next 12 months. While 5% of all consumers intend switching fixed/landline telephone provider, the figures almost doubles (9%) for the 45-55 year olds.

Figure 10 Future Likelihood of Switching Providers - Tertiary



It can be seen that very few consumers are considering switching financial provider (any category), gym membership, gas supplier or TV service supplier.

3 Key Points

The main findings from this segment of market research, conducted in November and December 2009 (wave 4), indicate that as with all previous waves, consumers continue to be most likely to have switched mobile phone provider (21%), car insurance provider (21%) or where they do their main grocery shop (15%).

Overall the amount of switching has decreased with only the electricity supply service sector showing an increase in the numbers switching since the last wave. Across all the sectors surveyed a total of 48% of consumers have switched at least one provider, which compares with 56% in wave 3 (May/June 2009) and 54% in wave 2 (December/November 2008).

To get a better deal continues to be the most influential factor in switching behaviour with 3 in 4 consumers citing this as their number one reason for changing service provider.

Over 4 in 5 consumers who had switched providers considered it to be an easy process, consistent with the previous wave of market research. Only 3% found switching somewhat difficult, down from 7% in the previous wave.

Almost 4 in 5 consumers (79%) who have switched service provider believe that they are receiving a better or similar service with their new provider.

16% of consumers intend switching car insurance provider in the next year and one in ten consumers intend to switch provider in the mobile phone and electricity supply sectors.