

# HOW MOBILE PHONE CUSTOMERS FARE WHEN STAYING WITH THEIR OPERATOR BUT SWITCHING PLAN

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## INTRODUCTION

Consumers are often encouraged to search for better deals to benefit from more suitable services and better value for money. Consumer switching, and the threat it imposes for businesses, can also encourage competition among service providers. Mobile phone services are no different. Like those of many services, many mobile phone users are reluctant to search for better deals or to switch supplier. While past research has focused on ways to increase consumer search and switching between suppliers, consumers also normally have the option of staying with their operator but switching plans. Less is known about this sort of switching. Our study examined how consumers fare when they choose to switch plan but stay with their mobile service provider. Do they spend more or less? Can we tell if they have got better value by switching? Mobile plans have many dimensions and features including call minutes, texts, data allowances, handset provisions, as well as other components of offers such as entertainment packages. International evidence suggests that some consumers find it challenging to identify the best possible plan for their needs, and this complexity may put some of them off searching or switching entirely. Policymakers and regulators are trying to fix this problem by designing regulatory measures that can help consumers to make good choices. This research is intended to assist with the development of such measures.

## DATA AND METHODS

This study examined the effects of switching mobile phone plan while staying with the same service provider. It used customer data from four providers in the Irish market: Eir Mobile, Tesco Mobile, Three, and Vodafone. The data were collected by Ireland's Commission for Communications Regulation (ComReg), who conducted a *Mobile Consumer Experience* survey in June 2019. Survey

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<sup>1</sup> This Bulletin summaries the findings from: Griffin, M., Lyons, S., Mohan, G., MacDomhnaill, C., Joseph, M and Evans, J. (2022) "Intra-operator mobile plan switching: evidence from linked survey and billing microdata", *Telecommunications Policy*, Available online: <https://doi.org/10.1016/j.telpol.2022.102343>.

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participants consented to their survey information being linked to administrative data from their operators for the period 2017 to 2019.

The study used data on 928 consumers, where 160 customers switched plans, some switching multiple times, resulting in 195 observed switches in the data. For each consumer, researchers calculated what the consumer would have paid had they been on each of the alternative plans offered by their provider, as well as the one they actually used.

The research focused on two key outcomes:

- How the consumer's mobile service spending changed after the switch of plan (i.e., Did they spend more or less?); and
- How the premium paid over the cheapest plan offered by their operator changed. In other words, did consumers who switched plan get closer to or further away from the best value plan offered by their provider, given their usage of services?

## **RESULTS**

Slightly more switchers ended up spending more after the switch than they had on their original plan (49%, compared to 42% who spent less after the switch). This does not necessarily mean these customers were worse off after the switch; they may have known they were going to need more extensive services or may have bought some value-added components.

More surprisingly, switchers tended to pay a higher premium over the cheapest available package after the switch than they had before it (54% increased their premium vs. 44% who reduced it).

The analysis also found no evidence that consumers with different characteristics across gender, age, marital status, education, or location (rural/urban) are more or less likely to switch plans or to make significantly different choices about increasing or decreasing spending after switching or changing the premium associated with their plan.

## **POLICY IMPLICATIONS**

Switching providers or switching plans with the same provider can often help consumers get better value for money. However, benefiting from switching requires that consumers make good choices. We find evidence that plan switching does not always lead to a better-value outcome, and this echoes international research findings about switching between suppliers. Policymakers and regulators have been working to develop measures that can help consumers improve their decision making in this market. This probably requires a range of measures that can reach the full range of consumers. One useful measure is to facilitate high quality tailored information via price comparison tools. However, since not all consumers use these tools, it may be useful to impose requirements on suppliers to provide clear information to existing consumers on how available tariff options compare to their existing plan, given their usage.

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