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Competition Authority releases Report on Consumer Mobility in the Electronic Communications Sector

The Competition Authority (CA) has completed its study on Consumer Mobility in the Electronic Communications Sector, an analysis that took place between December 2008 and July 2009.

Carried out under the CA's supervisory powers, the report concludes that there is limited mobility among Portuguese consumers: 65 per cent of customers who have acquired services on a non-package basis have never changed their telecommunications operator or service provider.

In the case of packages involving the fixed telephone service (FTS), mobile telephone service (MTS) or broadband Internet service, this percentage is lower.

Among the various reasons given, satisfaction with pricing and quality are the two most important explanations why Portuguese consumers do not change telecommunications operator or service provider.

The CA study was based on data from an on-line survey carried out in June and July 2009, in which consumers of electronic communication services were asked direct and hypothetical questions. It was also based on the information requested from telecommunications operators and service providers.

According to the data supplied by the companies, almost 50% of FTS customers had stayed with the same operator or service provider for more than seven years. For MTS customers, this figure fell to 20 per cent. For broadband Internet access, the great majority of customers' contracts were less than two years old.

The study also found that, in the experience of Portuguese consumers, the level of difficulty faced in making a change is, on average, moderate. It is particularly related, on the one hand, to the tasks of notifying contacts of the new telephone number and finding out about the deals on offer and, on the other, to concerns about the loss of service quality.

The CA study reveals that Portuguese consumers are not greatly involved in the contracting of these services, whether obtained individually or as part of a package. In fact, the market behaviour of around 70% of consumers is "inactive" or "passive". There is greater involvement, however, among broadband Internet customers and those with double-play and triple-play packages, which may be explained by the more recent launch of this service and these packages onto the market.

With regard to the cost of transferring, this amounts to more than 10 euros, thus representing around half of the average monthly expenditure on most of the services considered.

As a result of the study, the CA has recommended a set of measures that should have an effect on the mobility-restricting factors identified, in particular the costs of searching for information and the costs of a transfer (which include the transaction costs, contractual costs, cost of uncertainty, learning costs and psychological costs). It seeks to foster greater competition in the electronic communications markets.

Of note are the measures especially directed at bringing down the costs of the search for information: these cover, in particular, the supply and publicising of tools for comparing prices and features among the choices on offer, for most services, and the creation of tools for comparing the quality and definition of the information contained in the advertising material.

With regard to the measures focusing on transaction costs, the CA recommends that the transfer processes should be simplified and regularised, contracts should be standardised and the portability process should be publicised.

In connection with the measures affecting contractual costs, the CA mentions the points of checking the proportionality of the tie-in periods and making the right to free cancellation more explicit.

The CA sees the publication of quality studies and regulations for the different services and the increase in the efficiency of conflict resolution mechanisms as measures that are particularly aimed at the costs of uncertainty.

From the perspective of more comprehensive measures, the CA recommends that a consumer guide to electronic communication services should be published and codes of conduct should be adopted by operators and service providers.

The Report on Consumer Mobility in the Electronic Communications Sector is available at the CA's website, www.concorrenca.pt

Lisbon, 2 February 2010