

Inflation-linked in-contract price rises - Broadband

Summary of January 2023 and October 2023 research findings



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Background

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Price variation terms are written into some communication providers' contracts. They allow the provider to increase the core subscription prices that customers pay for telecoms services. These terms can take different forms: some providers link their terms to a rate of inflation (e.g. increasing prices by the Consumer Prices Index (CPI) or Retail Prices Index (RPI)), some to a percentage of the existing price, and some to a combination of the two (e.g. CPI + X%). Not all providers have price variation terms, but those that do often apply them in March or April each year.

The inclusion of inflation-linked price variation terms in telecoms contracts, in combination with fast-rising rates of inflation, have led to large and likely unanticipated price rises in 2022 and 2023 for many fixed broadband and mobile customers.

We conducted research to explore consumer awareness and understanding of inflation-linked price variations terms (**ILPVT**) and rates of inflation. We conducted two waves of research: fieldwork took place in January 2023 (phase 1) and October 2023 (phase 2).

The October 2023 wave was a partial repeat of the quantitative survey conducted in January 2023 to assess any changes in awareness since the start of year, with the inclusion of some extra questions to test consumers' reactions to potential remedies.

Methodology

Sample

- Nationally representative samples of 2,110 (January) / 2,113 (October) adults aged 16+ in the UK
- 1,694 (January) / 1,631 (October) fixed broadband pay-monthly consumers (includes bundled and Standalone contracts)
- Quotas set on region, gender, age, and working status

Data collection

- Online omnibus survey
- Conducted by Yonder
- Fieldwork 9th – 11th January 2023 / 20th – 22nd October 2023

Data reporting

- Weighted to be nationally representative of the UK
- Significance testing applied at the 95% confidence level within wave and 99% wave-on wave

Executive Summary

Low awareness of price rises

- Among customers who were in-contract and were with providers that use inflation-linked price variation terms, nearly half (49%) were unaware that their provider could increase their monthly payment.
- Among customers who were with providers that use inflation-linked price variation terms and were aware that their prices could increase, most (67%) were unable to correctly identify how their provider would increase their price.
- Overall, very few customers (16%) who contracted with providers that use inflation-linked price variation terms were both aware of price rises and able to identify how their provider would increase price (i.e. that the price rise was inflation-linked with an additional fixed percentage).

Low general understanding of inflation rates

- Over half (55%) fixed broadband customers don't know that the CPI and the RPI measure the rate of inflation.
- The majority (75%) of fixed broadband customers who were aware the CPI and the RPI measure rates of inflation, did not understand the difference between them. (January 2023)

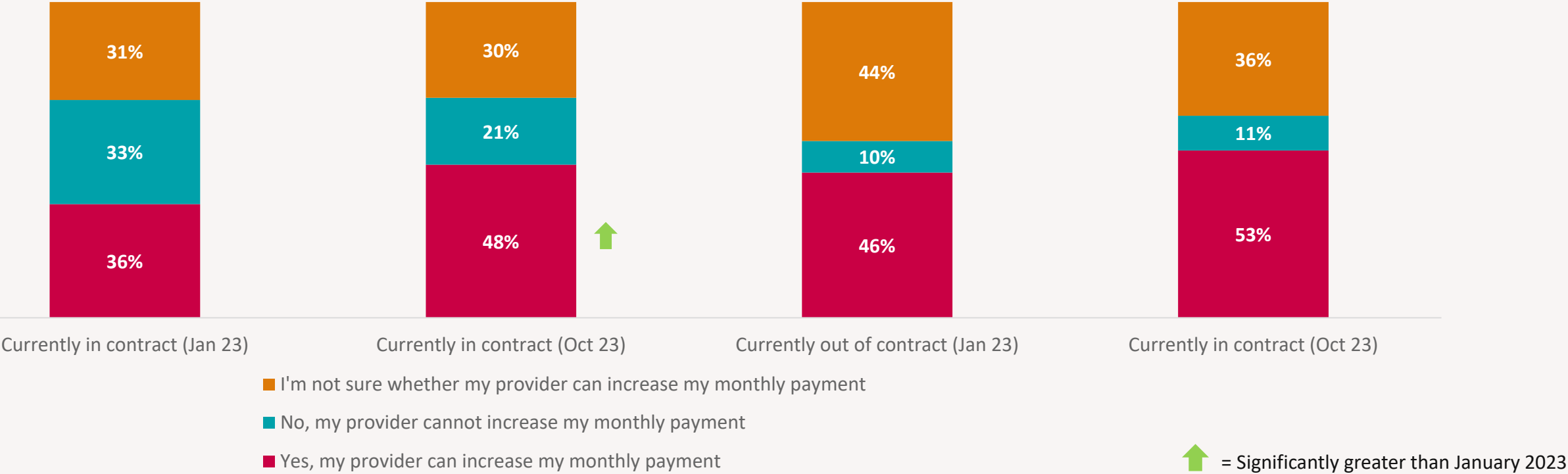
Remedies

- Most people agreed that a description of the price that is fixed or includes an increased price stated in pounds and pence makes it easy to understand how much they will be paying each month.

Awareness of provider's ability to increase prices

In October 2023, those in-contract were more likely to be aware their provider could increase their price during their minimum contract period compared to January 2023

Do you know whether your provider can increase your monthly payment?



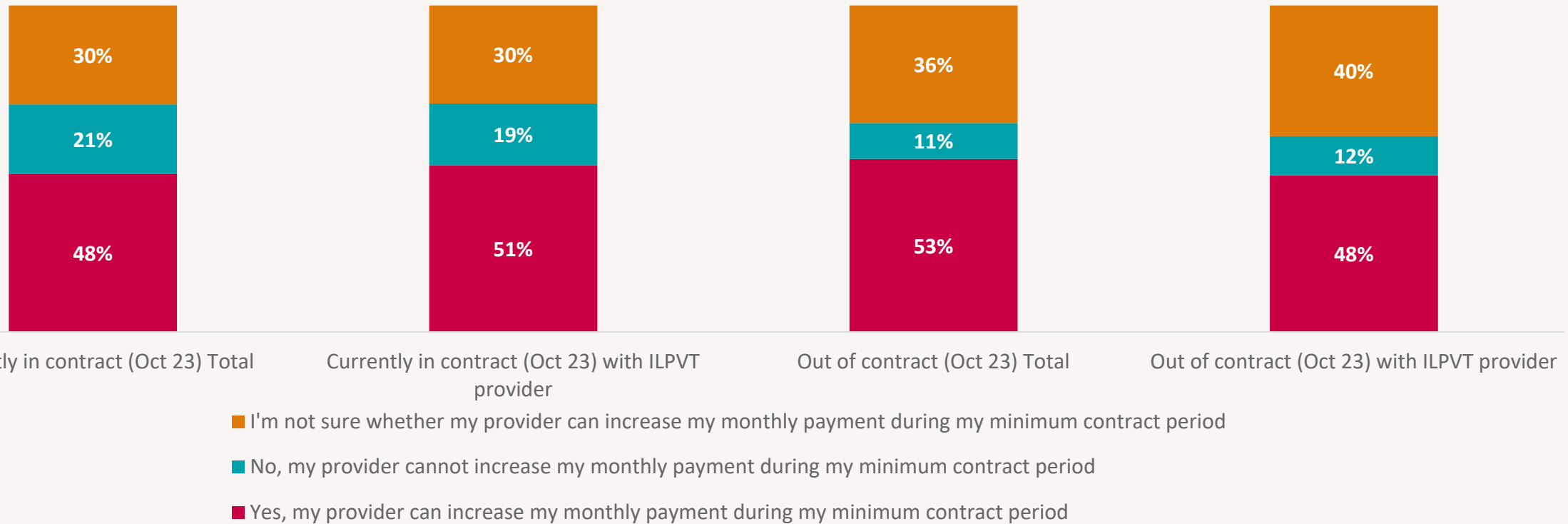
Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

Q10/Q6. Do you know whether your provider can increase your monthly payment during your minimum contract period? Base: All currently in a fixed term contract and know their provider (Jan 23 1304) (Oct 23 1212)

Q11/Q7. Do you know whether your provider can increase your monthly payment? Base: All currently not in a fixed term contract and know their provider (Jan 23 431) (Oct 23 468)

No difference between the Total and those with a provider that applies inflation linked in-contract price rises in being aware that their provider can increase their monthly payment

Do you know whether your provider can increase your monthly payment?



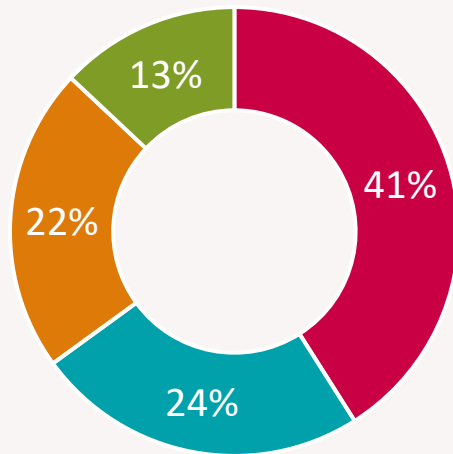
Source: In-contract price rises Research, Yonder (October 2023)

Q10/Q6. Do you know whether your provider can increase your monthly payment during your minimum contract period? Base: All currently in a fixed term contract and know their provider (1212) ILPVT provider (579)

Q11/Q7. Do you know whether your provider can increase your monthly payment? Base: All currently not in a fixed term contract and know their provider (468) ILPVT provider (198)

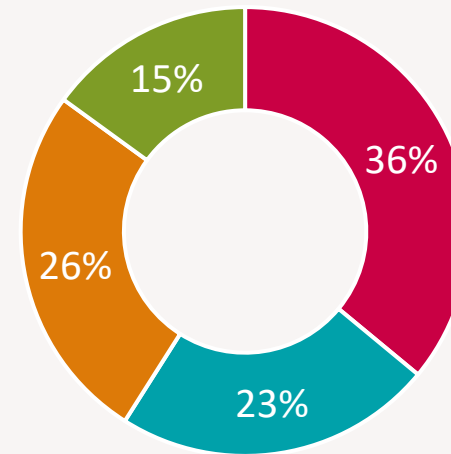
36% of those who were aware their provider can increase their payment found out before signing up to the contract

When did you first become aware that your monthly payments to your provider could increase? Jan 23



■ Before signing up to the contract ■ During the sign-up process
■ After signing up to the contract ■ Can't remember

When did you first become aware that your monthly payments to your provider could increase? Oct 23

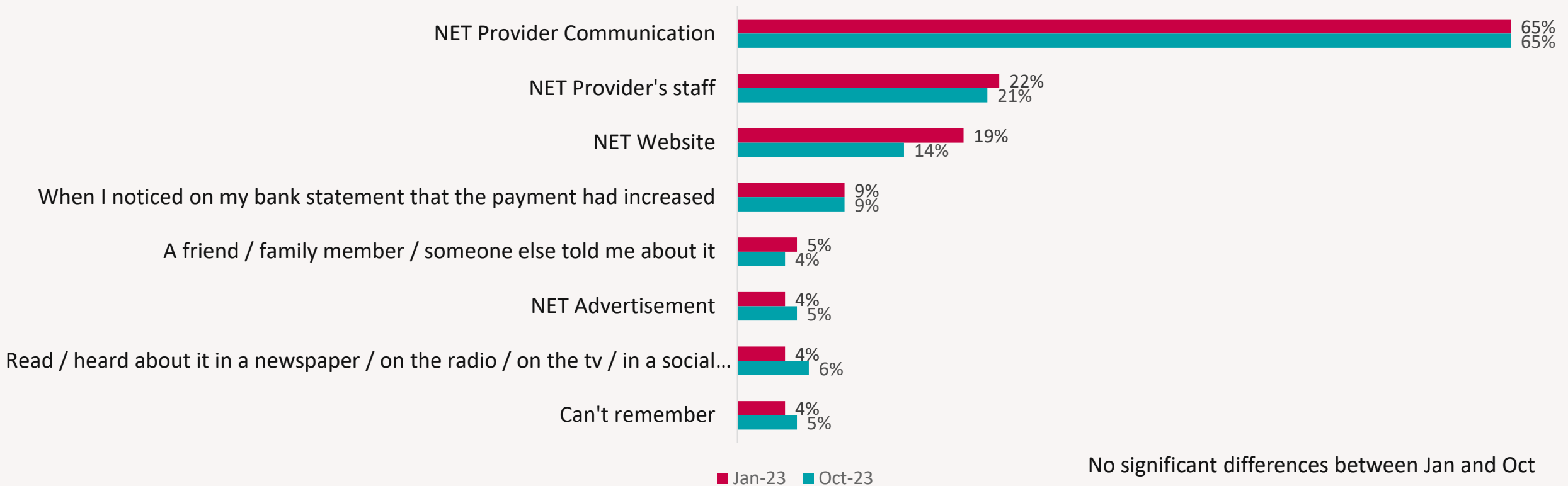


■ Before signing up to the contract ■ During the sign-up process
■ After signing up to the contract ■ Can't remember

No significant differences between Jan and Oct

Two thirds (65%) of those who could recall how they became aware that their provider could increase their monthly payments said this was via a form of communication from their provider

How did you become aware that your provider could increase your monthly payments?



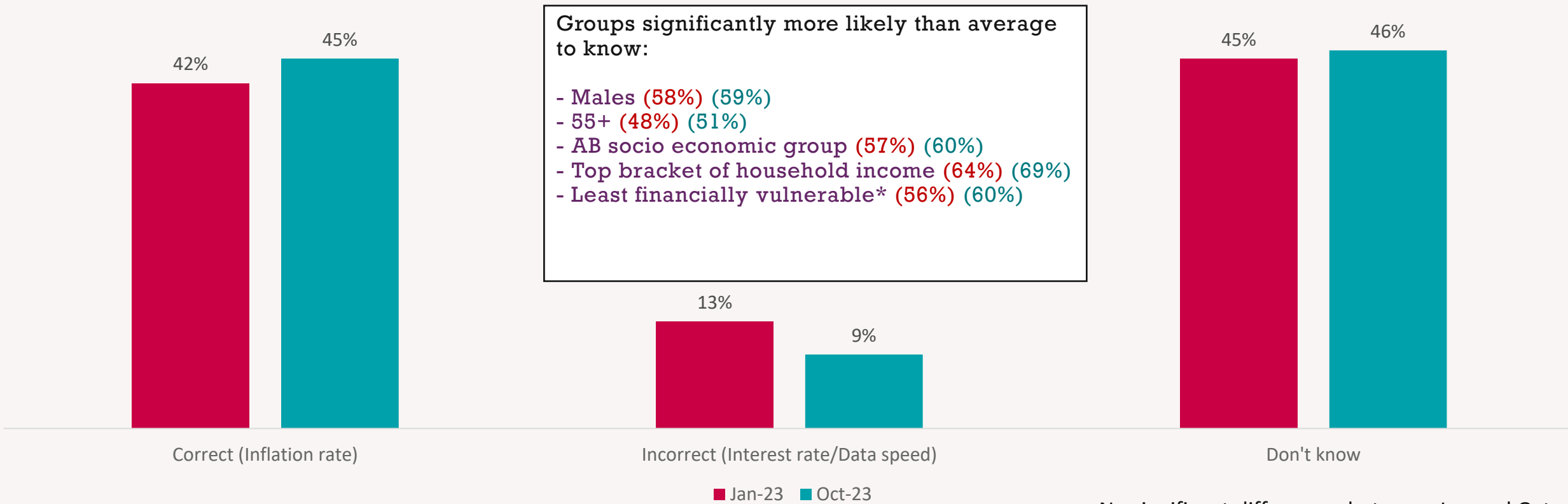
Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

Q13/Q9. How did you become aware that your provider could increase your monthly payments? Base: All currently paying for a Fixed broadband service who can recall when they became aware (Jan 23 609) (Oct 23 703)

'Provider Communication', 'Provider Staff', 'Website' and 'Advertisement' are NETs incorporating multiple answers.

Fewer than half of fixed broadband customers correctly identified what CPI and RPI measure

Do you know what the CPI and the RPI measure?



No significant differences between Jan and Oct

*Note on Financial vulnerability at the end of the pack

Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

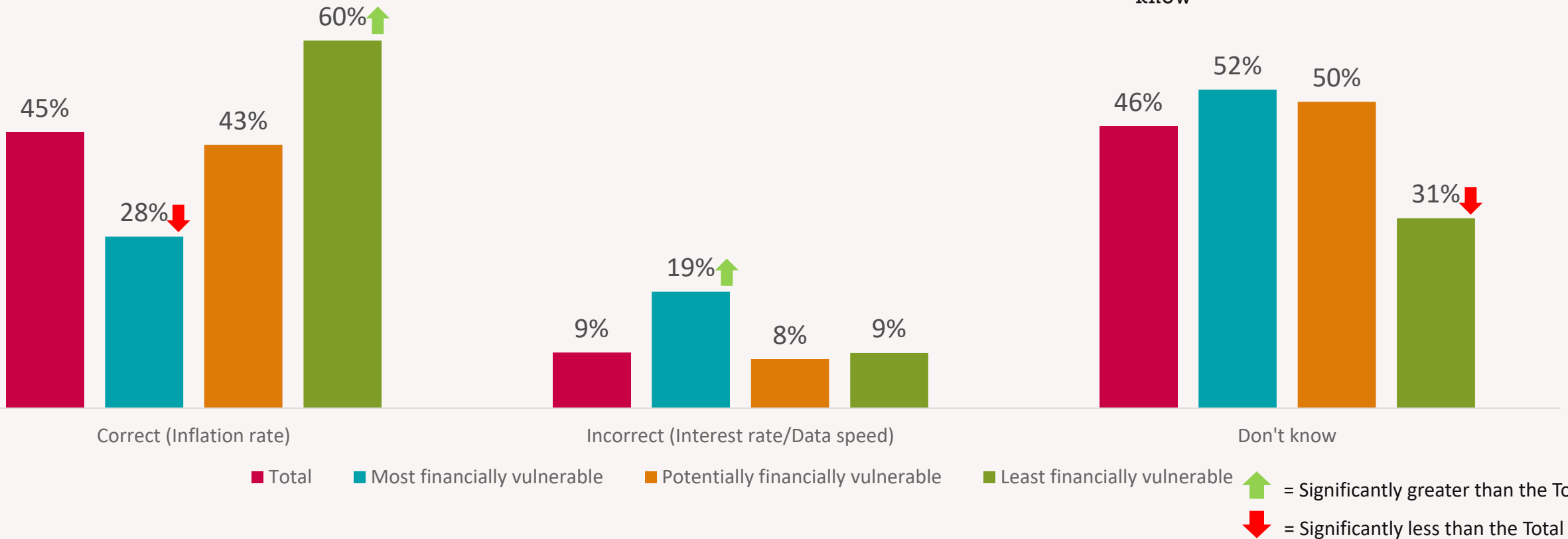
Q17/Q10. Do you know what the CPI and the RPI measure? Base: All currently paying for a Fixed broadband service (Jan 23 1735) (Oct 23 1680)

'Correct' = Inflation rate 'Incorrect' = NET: Interest rate or Data speeds

The most financially vulnerable* were more likely to not know or to give an incorrect response about what CPI and RPI measure

Do you know what the CPI and the RPI measure?

Those with a **mental health condition (66%)** ↑ and those with a **physical health condition (60%)** ↑ were more likely than the total to say they 'don't know'



Source: In-contract price rises Research, Yonder

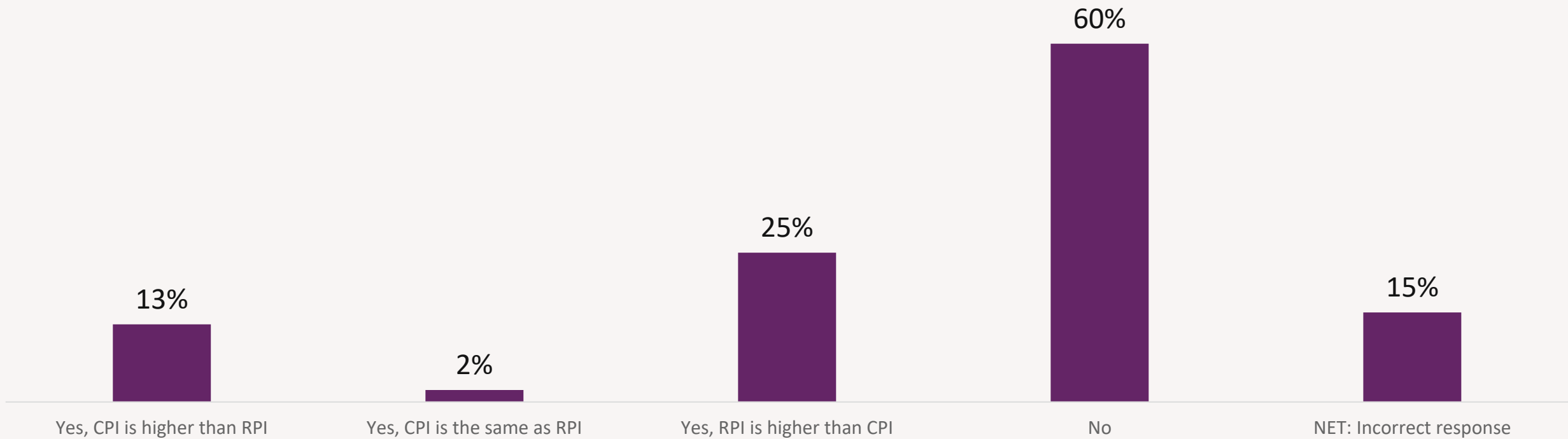
Q10. Do you know what the CPI and the RPI measure? Base: All currently paying for a Fixed broadband service (1680) Financial vulnerability: Most (192), Potentially (874), Least (478)

*Note on Financial vulnerability at the end of the pack

'Correct' = Inflation rate 'Incorrect' = NET: Interest rate or Data speeds

Three quarters (75%) of those who were aware that the CPI and RPI measure rates of inflation, did not know the difference between the two measures

Do you know the difference between the Consumer Prices Index (CPI) and Retail Prices Index (RPI)?



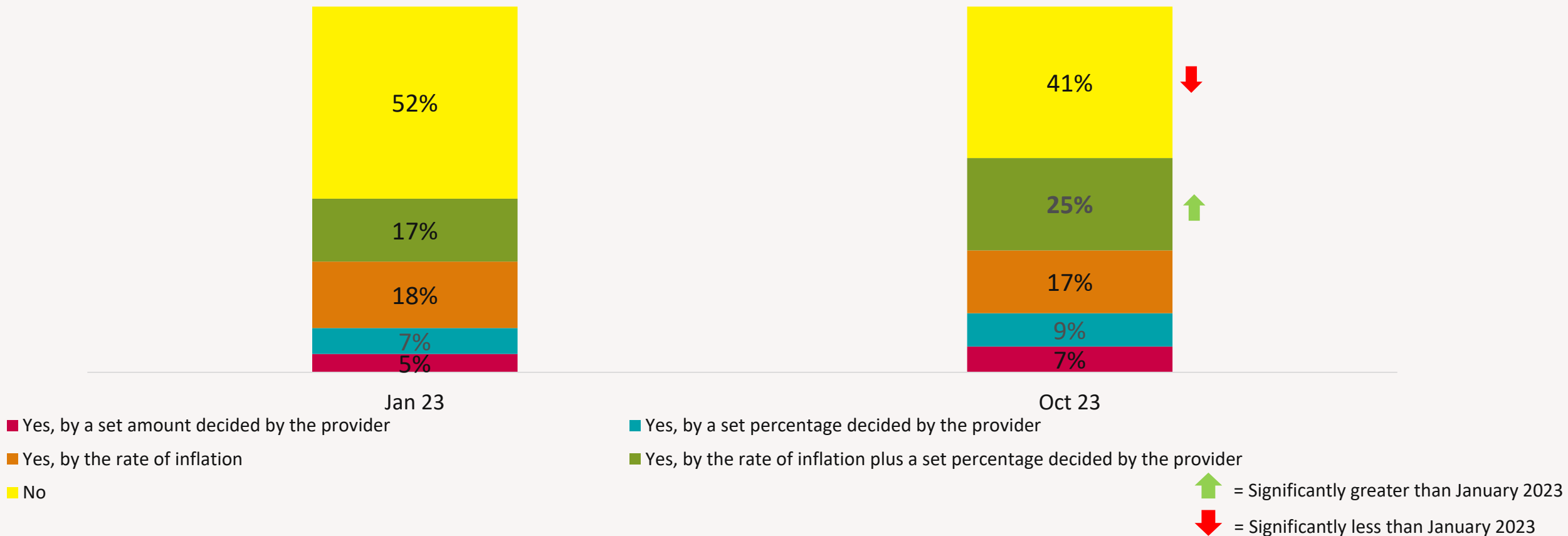
Source: In-contract price rises Research, Yonder (January 2023)

Q20. Do you know the difference between the Consumer Prices Index (CPI) and Retail Prices Index (RPI)?

Base: All currently paying for a Fixed broadband service who are aware that CPI and RPI measure rates of inflation and had heard of CPI and RPI before today (678)

Around four in ten of those who were aware their price can increase were unaware of how the price rise would be calculated

Do you know how your provider will calculate the increase to your monthly payments?



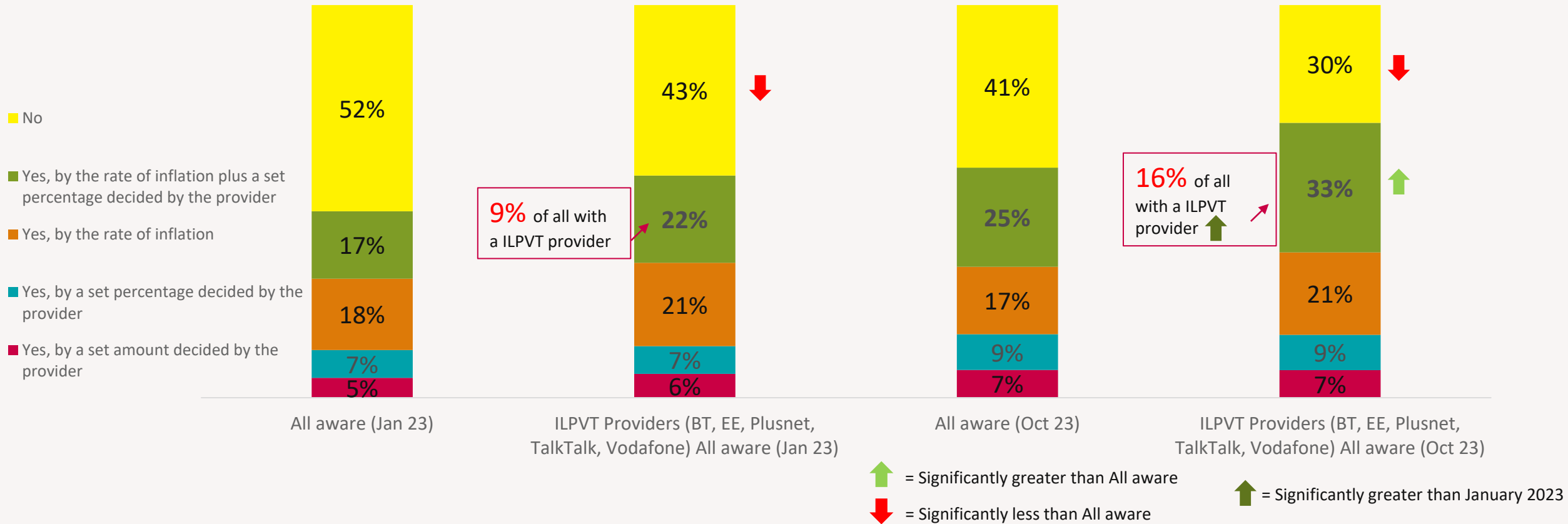
Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

Q21/Q12. Do you know how your provider will calculate the increase to your monthly payments?

Base: All currently paying for a Fixed broadband service who are aware that their provider can increase their payment (Jan 23 702) (Oct 23 837)

Among those **aware** that their provider could increase their price, those with a provider that applies inflation linked in-contract price rises were more likely than all aware to cite this calculation

Do you know how your provider will calculate the increase to your monthly payments?



Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

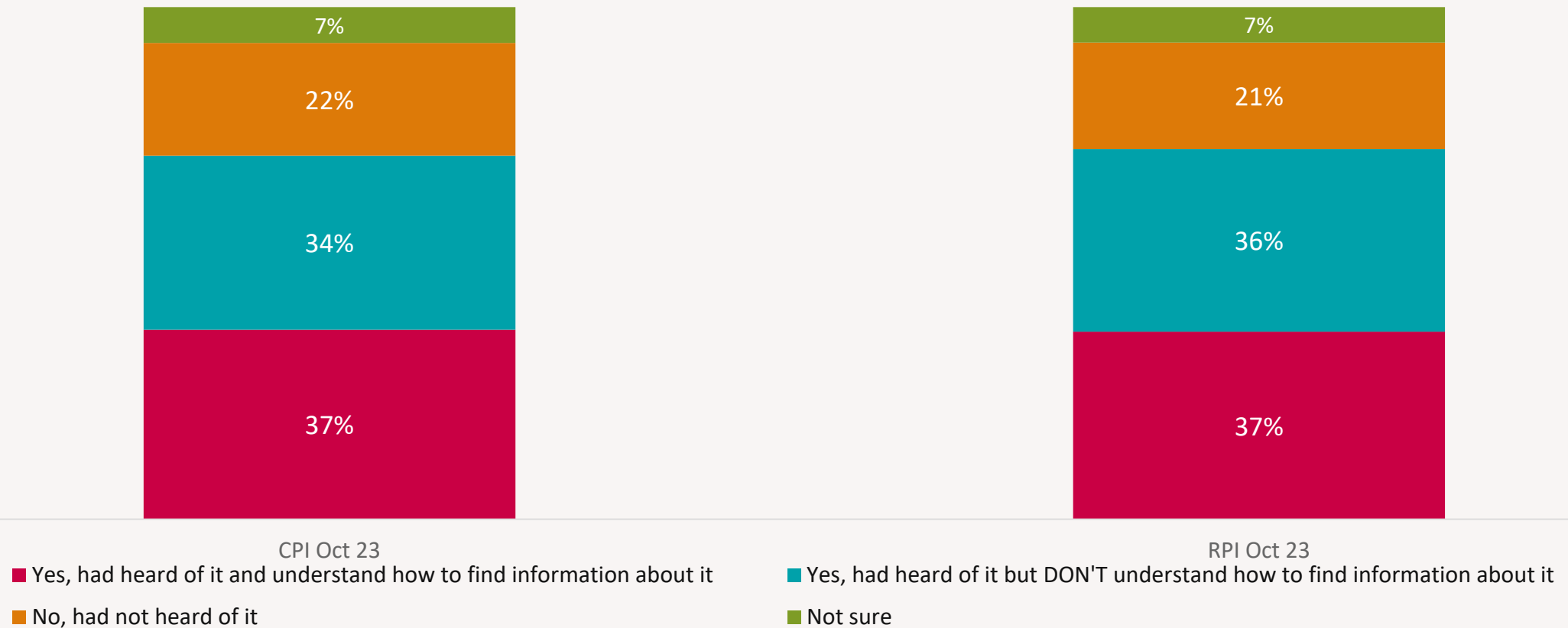
Q21/12. Do you know how your provider will calculate the increase to your monthly payments?

Base: All currently paying for a Fixed broadband service who are aware that their provider can increase their payment (Jan 23 702) (Oct 23 837) , All currently paying for a Fixed broadband service who aware that their provider can increase their payment and are with a ILPVT Provider (Jan 23 338) (Oct 23 395).

Base: All with a ILPVT provider (Jan 23 813) (Oct 23 777)

7 in 10 of those paying for a fixed broadband service had heard of the CPI and the RPI but nearly half of those didn't know where to find information about them

Before today, had you heard of the CPI and the RPI?



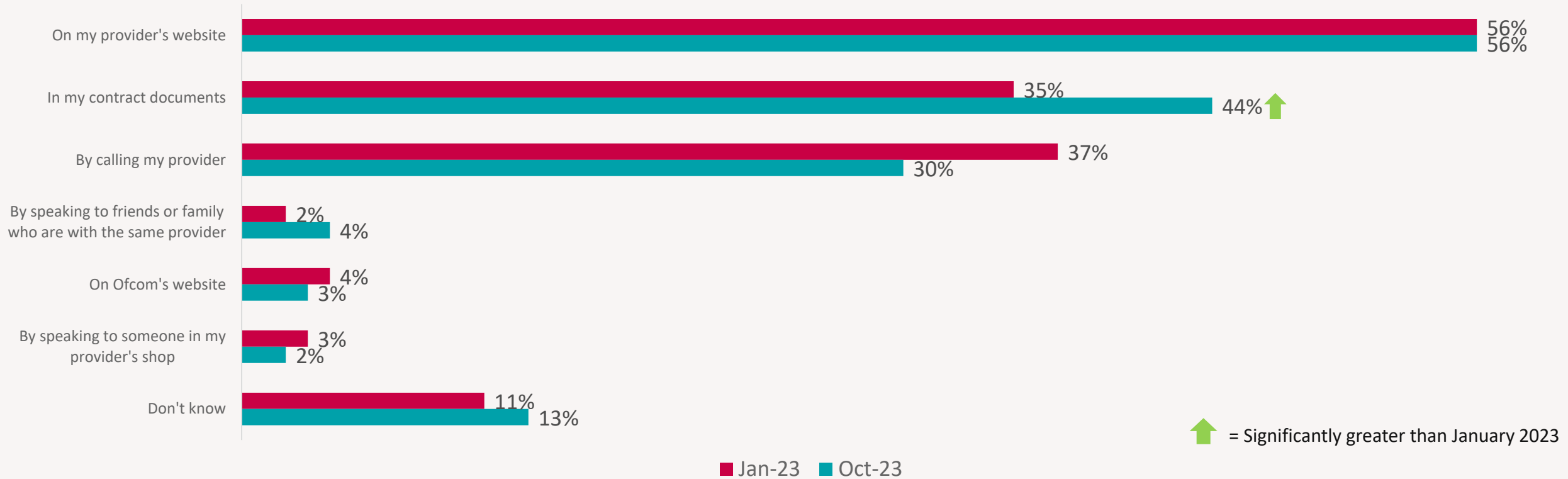
Source: In-contract price rises Research, Yonder (October 2023)

Q11. Before today, had you heard of the CPI and the RPI?

Base: All currently paying for a Fixed broadband service (1680)

Over half (56%) of those who were not aware of a price increase would consult their provider's website

Where would you look to find out whether your provider will be increasing your monthly payments?



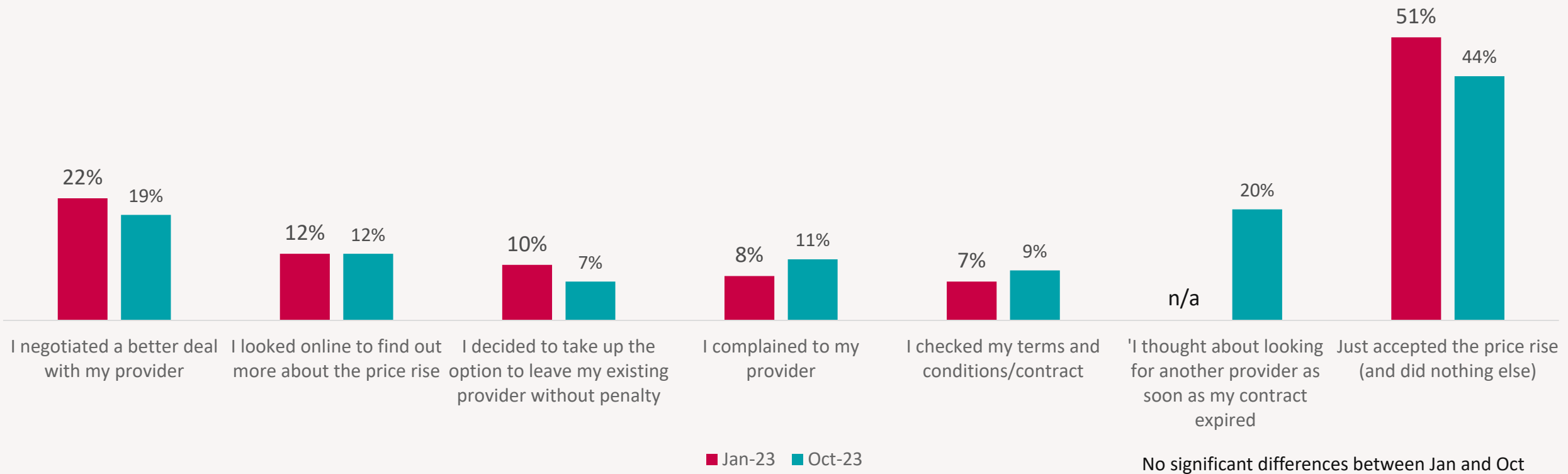
Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

Q24/Q13. Where would you look to find out whether your provider will be increasing your monthly payments?

Base: All currently paying for a Fixed broadband service who are not aware that their provider can increase their payment (Jan 23 572) (Oct 23 545)

A fifth (19%) of those who were aware that they had a price increase in March/April 2023 negotiated a better deal with their provider

How did you respond to the price increase in March/April 2022?



Source: In-contract price rises Research, Yonder (January 2023) (October 2023)

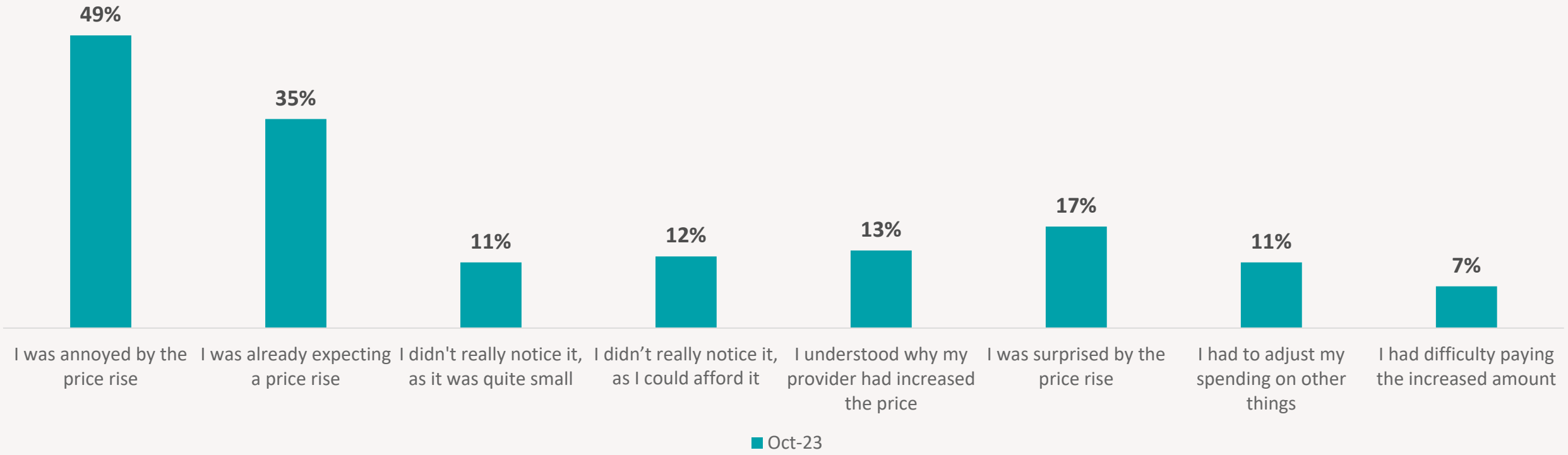
Q26/Q15. How did you respond to the price increase in March/April 2022 / March/April 2023?

Base: All currently paying for a Fixed broadband service who had a broadband price increase in March/April 22 (Jan 23 495) , March/April 23 (Oct 23 740)

Almost half (49%) of those who were aware that they had a price increase in March/April 2023 were annoyed by the price rise. A third (35%) had been expecting it



And what effect, if any, did the price increase in March/April 2023 have on you?



Source: In-contract price rises Research, Yonder (October 2023)

Q16. And what effect, if any, did the price increase in March/April 2023 have on you?

Base: All currently paying for a Fixed broadband service who had a broadband price increase in March/April 23 (684)

Most people agreed that a description of the price that is fixed or includes an increased price stated in pounds and pence makes it easy to understand how much they will be paying each month

We'd now like you to imagine that it is 1st October 2023 and you are looking for a new, broadband contract to run for 18 months (from 1st October 2023 to 31st March 2025).

To what extent do you agree or disagree that this description of the price makes it easy to understand *how much you will be paying each month*?

NET: Agree

92%

£34 a month for 18 months



87%

£32 a month until March 2024,
then £35 a month until March 2025



87%

£32 a month for the first six months,
then £35 a month for the remaining 12 months



74%

£32 a month,
to increase by £3 a month from April 2024



■ Agree strongly
 ■ Agree slightly
 ■ Neither agree nor disagree
 ■ Disagree slightly
 ■ Disagree strongly

Source: In-contract price rises Research, Yonder (October 2023)

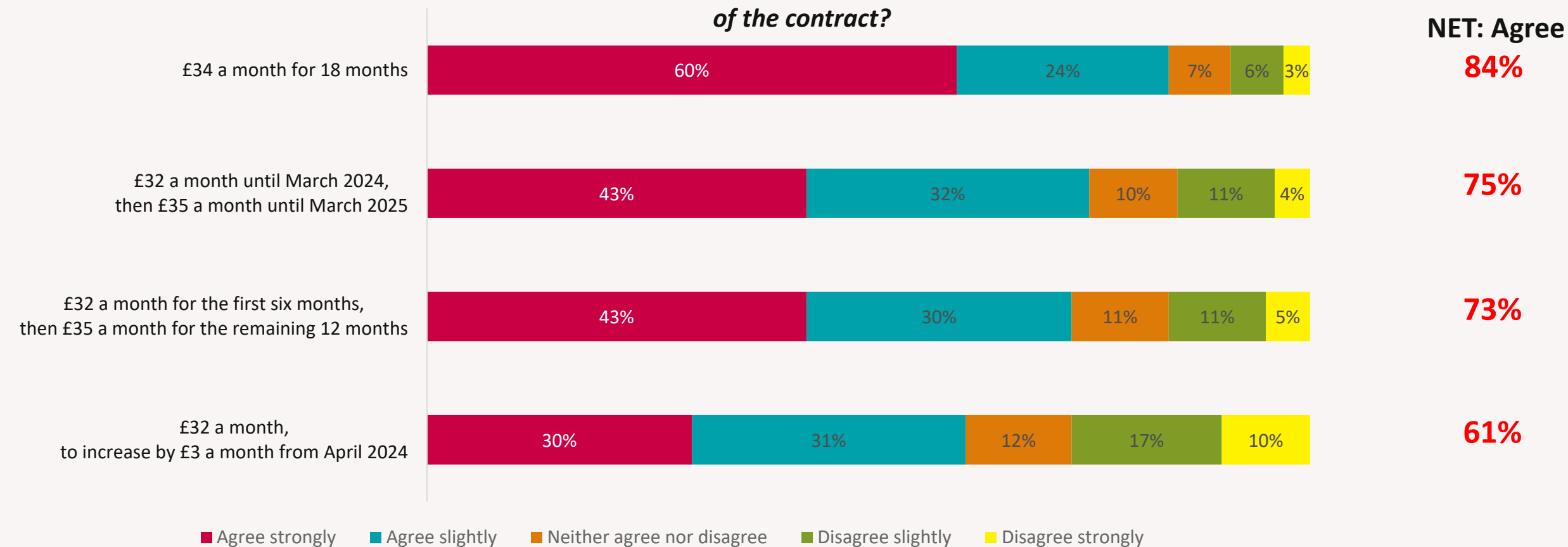
Q17. We'd now like you to imagine that it is 1st October 2023 and you are looking for a new, broadband contract to run for 18 months (from 1st October 2023 to 31st March 2025). To what extent do you agree or disagree that this description of the price makes it easy to understand how much you will be paying each month?

Base: All currently paying for a Fixed broadband service (1680)

Most people agreed that a description of the price that is fixed or includes an increased price stated in pounds and pence makes it easy to understand how much they would pay in total

We'd now like you to imagine that it is 1st October 2023 and you are looking for a new, broadband contract to run for 18 months (from 1st October 2023 to 31st March 2025).

To what extent do you agree or disagree that this description of the price makes it easy to understand *how much you would pay in total over the 18 months of the contract?*



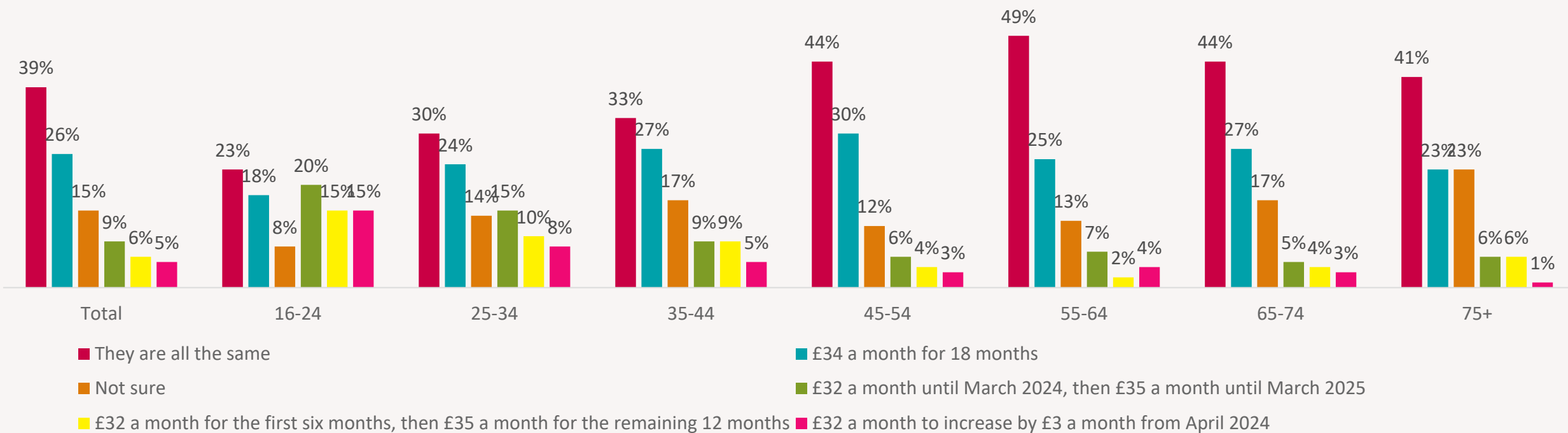
Source: In-contract price rises Research, Yonder (October 2023)

Q17. We'd now like you to imagine that it is 1st October 2023 and you are looking for a new broadband contract to run for 18 months (from 1st October 2023 to 31st March 2025). To what extent do you agree or disagree that this description of the price makes it easy to understand how much you would pay in total over the 18 months of the contract?

Base: All currently paying for a Fixed broadband service (1680)

55-64s were most likely to be able to see that all pricing options work out the same over 18 months

Which of the four pricing options do you think provides the best value for money over the 18 months of the contract period?



Source: In-contract price rises Research, Yonder (October 2023)

Q18. Which of the four pricing options do you think provides the best value for money over the 18 months of the contract period?

Base: All currently paying for a Fixed broadband service (Total 1,680, 16-24 91*, 25-34 232, 35-44 278, 45-54 315, 55-64 295, 65-74 320, 75+149) *Caution, base size less than 100

Note on Financial Vulnerability

Respondents providing sufficient personal data (Household income and number of children in Household) have been allocated to one of three levels of financial vulnerability: Most, Potentially and Least.